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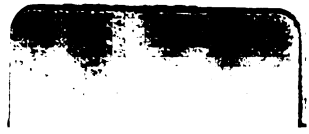

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A Sketch of Competition

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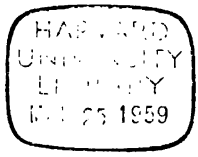

EDITOR'S NOTE

Since the establishment of the Fabian Society in 1883, *it has published "Fabian Essays in Socialism," now in its thirty-fifth thousand, and a great number of Tracts and Leaflets on contemporary politics.*

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CHAPTER I

THE CONFLICTING PHILOSOPHIES

THE history of British trade may be roughly divided into three eras—the mediæval, the *laissez-faire*, and the modern —and the dominant ideas of each of those periods have been privilege, competition, and association. By a natural process of growth, successive forms of trade and national organisation have been evolved by the modification of previous forms found to be faulty, and under a conscious or unconscious adaptation to the new economic philosophy taking the place of the old. The old craft-gilds were originally unions of handicraftsmen who banded themselves together for mutual protection, and, establishing themselves firmly, succeeded in obtaining from impecunious monarchs the benefit of incorporation and the right to frame rules for their trades. The feudal conception of society as a series of rigidly demarcated castes, each in a condition of dependence on the rank immediately higher, necessarily found its way into these trade regulations. The relations of the different members of the gild to one another, to their dependents, and to the public were strictly defined. "The crafts have been devised," ran a decree of the Emperor Sigismund in 1434, "that everybody by them should earn his daily bread, and nobody shall interfere with the craft of another." Having chosen his "mystery," a man had to stick to it, and thereafter his

training as an apprentice and the conduct of his business as a master were strictly prescribed. His tools, his materials, the quality of his goods, the number of apprentices, the hours of labour, wages, and sometimes prices, were the subject of gild regulations. On the other hand, gild members were supported in sickness and poverty, and defended against injustice. The growth of wealth led to the conversion of the gilds into close corporations, and ultimately to their decay. The appearance of a separate servant class, which attained economic power after the Black Death, led to the intervention of the State powers for the assistance of the masters, especially of the landed proprietors. Previously the Government had only looked upon industry from a revenue standpoint, but now its avowed policy for a couple of centuries was to be the keeping of the labourer in that position to which it had pleased God to call him. All persons were to be compelled to work first at the wages which were customary before the Plague, and later at the wages fixed by the justices, and were not to move from their county.

The quintessence of the mediæval system is embodied in full legal form in the Statute of Apprentices of 1562 (5 Eliz. c. 4). No person could lawfully exercise any "trade, craft, or mystery" except he had served an apprenticeship of at least seven years therein. Every householder in a city, town-corporate, or market-town might take apprentices, but only the children of persons of a certain fortune and under twenty-one years of age. One journeyman had to be kept for every three apprentices, on a yearly engagement, terminable at a quarter's notice. The hours of labour were to be twelve per day in summer and from dawn till nightfall in winter. Wages were to be assessed yearly by the justices of the peace, so as to "yield unto the hired person, both in the time of scarcity and in the time of plenty, a convenient proportion of wages." In intention, at all events, this Act was the bulwark of the labourer's

standard of life, and when afterwards times of strife came it was to it that the nascent trade unions appealed. Legal interpretation, however, robbed it of much efficiency by restricting its operation only to trades established and to towns incorporated at the time of its enactment; but when the Framework Knitters' Company was incorporated in 1663, it was brought under this statute. The neglect and prejudice of the justices also brought the regulation of wages into disuse.

The settled policy of the State at the end of the sixteenth century was the recognition of the vested interests of incorporated trades and the maintenance of the system of small masters. Thus in the woollen trade the use of machinery was regulated, and the number of looms which one weaver might have restricted, and only "loyal cloth" of specified quality and length, and stamped with the magisterial seal, might be sold—restrictions of which Josiah Child bitterly complained as late as 1693. It was typical that Elizabeth should have refused the present of the first pair of stockings knitted on a frame invented by William Lyle, because it would throw so many of her poor stocking-knitters out of work.

The Poor Law of 1601 completed the Elizabethan system by admitting that every one had a right to subsistence at the cost of the State, a concession which at one and the same time placed the labourer beyond the fear of starvation and reduced him to slavery. As the law was subsequently interpreted in rural districts, employers paid the lowest possible wages, which were then made up to a sufficient amount out of the parish rates. No personal responsibility was demanded from the labourer, and his sense of independence was sapped to such a degree that he came to look upon the parish as a kind of Benefit Society, the best sort of relief club, indeed, for it required no contribution, enforced no adequate return of work, put no limit to its grants, and never became insolvent. The gigantic expense of wholesale

relief soon led the parishes to try to shift the burdens, and the celebrated Act of 1662 made the labourer in effect once more a serf by empowering the removal of any incomer to a parish who occupied a house of less than ten pounds' annual value. "To remove a man who has committed no misdemeanour from the parish where he chooses to reside is," says Adam Smith, "an evident violation of natural liberty and justice." Further, it completed the immobility of labour which had been begun by the apprenticeship laws.

The final effect of the mediæval system was to erect an impassable barrier against the improvement of industry by giving a quasi-sacred character to the immovable obstacles of custom and privilege. Additional tiers to this Chinese Wall were built by the adherents of the Mercantile System, which governed trade from the sixteenth to the end of the eighteenth century. Starting from the fact that money is the most advantageous form of wealth, since it is the means of acquiring all other useful articles and is in perpetual demand everywhere, the mercantilists directed their policy towards the accumulation of the precious metals. To secure a favourable balance of trade by exporting as much and importing as little as possible became the ideal of commercial legislation. Home industries were fostered by bounties and by special privileges to corporations and trading companies. Foreign goods were kept out either by prohibition or by heavy duties, lest they might compete with native articles. Even goods not made in England were prohibited, lest they might interfere with established manufactures; for example, the import of printed Indian calicoes was forbidden in 1700, lest it should injure the production of woollen goods. The exportation of machinery and the emigration of skilled artisans were prohibited, lest by the establishment of manufactures abroad foreign markets for English produce might be curtailed. The export of gold and silver was severely restricted; the colonies were treated as estates to be worked

for the sole profit of the home country; and the carrying trade was confined to English vessels or to ships belonging to the same country as the goods they carried. There is no doubt that this fostering gave a great impulse to manufacture and commerce, but, to quote Dr. Ingram,[1] "Industry was forced by such systematic regulation to follow invariable courses, instead of adapting itself to changing tastes and popular demand. Nor was it free to simplify the processes of production, or to introduce increased division of labour and improved appliances. Spontaneity, initiation, and invention were repressed or discouraged, and thus ulterior sacrificed in a great measure to immediate results." The basal error of the theory was the small shopkeeper's idea that trade cannot be carried on without making one man's gain another's loss. To use the delightful phrases of Adam Smith, "that insidious and crafty animal, vulgarly called a statesman or politician," erected "the sneaking arts of underling tradesmen into political maxims for the conduct of a great empire."

Such was the condition of things during the first half of the eighteenth century, when industry was slowly passing out of the handicraft stage. Many causes contributed to the decay of the domestic system, where the worker laboured in his own cottage with his own tools on his own material, even before the advent of power-machinery. The cost of the raw material as in the case of silk, the need for extensive commercial knowledge as in the West of England wool trade, the cost of the tools as among the stocking-frame knitters, led to a separation of the capitalist from the operative class. Cotton cloth was still woven in the weavers' cottages, but the weavers worked for large merchants who gave out the yarn and collected it when woven—a change which took place about 1740-60. A little later the merchant proper separated himself from the giver-out or middleman, who was soon to develop into

[1] *History of Political Economy*, p. 42. A. and C. Black, 1893.

the factory-owner. The modern factory system may be said to have begun with the setting-up of Lombe's silk-throwing mill at Derby in 1719, the success of which set men's minds at work to devise improvements in cotton and woollen manufacture; and Wyatt and Kay were the forerunners of the great inventors. As trade expanded and factories grew more numerous, the new capitalists felt the crippling effects of the mediæval regulations, and habitually evaded the law. The workmen organised in a rude fashion, and appealed to Parliament to maintain the old customs of a legal wage and the limitation of apprentices. The woollen weavers of the West of England secured an Act in 1756 directing the justices to fix piecework rates, but a storm of capitalist opposition brought about its headlong repeal a year later. The Spitalfields weavers were more fortunate, for, being of a turbulent disposition, they found a means of bringing home the force of their complaints to individual members of Parliament, and so gained an Act enforcing the legal fixing of their wages as late as 1773. But the old system was already dead, and the industrial revolution which began with the great inventions of Arkwright (1768), Crompton (1779), and Cartwright (1787) marked the passing away of the rule of custom and privilege in industry. Gild rules and steam engines could not go well together. Naturally, since Parliament was not representative of the working classes, it was the regulations which defended the workers which were first attacked. The masters could always show that the new machinery was necessary if the export trade was to be maintained and extended, and that the limitation of apprentices meant the ruin of the factory. The new processes did not require the old skill, and should not be remunerated with the old pay, while wages should be fixed not by ignorant and too sympathetic justices, but by master and man, who knew what they were about. The arguments were irrefutable, and when Adam Smith published his

Inquiry into the Nature and Causes of the Wealth of Nations in 1776, he found a public seeking for a new intellectual basis for the altered state of things. As the last years of the century went on, his doctrine of "free contract" won more and more acceptance among the governing classes. Complete conversion was announced in the Report of a Select Committee of the House of Commons in 1811, that "no interference of the legislature with the freedom of trade, or with the perfect liberty of every individual to dispose of his time and of his labour in the way and on the terms which he may judge most conducive to his own interest, can take place without violating general principles of the first importance to the prosperity and happiness of the community, without establishing the most pernicious precedent, or even without aggravating, after a very short time, the pressure of the general distress, and imposing obstacles against that distress being ever removed." The consequence was the repeal of the wage clauses of the Statute of Apprentices in 1813, and of the apprenticeship clauses in 1814.

The doctrine so succinctly set forth by the Select Committee, and destined to exercise so important an influence on politics and trade, requires a closer examination. Living in an age when artificial restrictions impeded all political and industrial development, Adam Smith followed the physiocrats in going back to "nature," to "the natural order of things," and in finding out what were men's "natural inclinations." The natural order was the free exchange of labour, free competition. "The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands, and to hinder him from employing this strength and dexterity in what manner he thinks proper, without injury to his neighbour, is a plain violation of this most sacred property." The principle

of individual liberty is guided in industrial matters by the inducement of self-interest: "it is only for the sake of profit that any man employs a capital in the support of industry." Governed by that motive, every individual is the best judge of his own advantage; and since the nation is made up of individuals, the public interest is fully subserved by individuals acting in this way. "Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society." The conclusion, as drawn by Smith's followers, is that the State must not interfere in human affairs except to keep the peace; the world will move well enough on the ideas of free trade, free contract, free competition, *laissez-faire*, *laissez-passer*. In fact, the ideal state was to be, as Carlyle said, "Anarchy plus a police-constable."

From the combination of the metaphysical conception of natural liberty with the Hobbesian notion of self-interest as the sole spur to action—both eminently characteristic of the eighteenth century—arose the abstraction of the "economic man," a being that never walked on sea or land, and whose idea was not laid up in Plato's heaven. This personage, it appears from the circumstances in which the economists represent him, was possessed of all wisdom and all knowledge to discern wherein his true advantage lay, and was always able to act accordingly. He could at any time move his labour or his capital to any place or to any business, and could in the twinkling of an eye acquire a new occupation. Of such individuals as he society was made up, all men were industrially equal; and though they were moved solely by the desire for gain, the public advantage was the summation of the pluses and minuses of their conflicting interests.

It is obvious upon consideration that if such an abstraction from reality was justifiable for the sake of simplifying the treatment of complex phenomena, the results were proportionately useless for the practical purposes of legislation. Yet not only did the economists repeatedly forget the unreality of their creation, but those unrealities were eagerly taken by the business and governing classes as transcripts from the actual world. It was indeed the facility with which the theory allowed itself to be used as a palliation of the worst effects of the industrial revolution which led to its prompt adoption. Only in this way could the Government and the manufacturers justify themselves before the world. Yet all the assumptions were supremely unwarrantable. In the real world men did not always know their true interest, nor did they always follow it; labour and capital were not freely mobile, nor could an occupation be changed at will; the interest of the individual was not only not always identical with the interest of the community, but frequently destructive of it, as in the cases of adulteration, fraud, and speculation. Above all, the industrial world did not consist of equal units; in the negotiations between poverty and wealth, between starvation and greed, there could be no free contract. But despite all its untruths, the theory of free competition won the day; for while the remains of the outworn feudal notions were obstructing the road to improvement, the supreme need of the time was personal liberty. The new forms of industry had swept away the old world and had thrown men back on their personal relations with one another. As Arnold Toynbee says, "the essence of the Industrial Revolution is the substitution or competition for the mediæval regulations which had previously controlled the production and distribution of wealth."[1] Malthus in 1798 strengthened the theory by founding it on natural law, and proving, as it seemed, that the tendency of population to outstrip the means of subsistence would defeat all attempts

[1] *Industrial Revolution*, p. 85. Longmans, 1887.

at the improvement of the condition of the people. When Ricardo in 1817 completed the body of doctrine by showing that capital was the principal factor in production, and that wages must necessarily fall to the subsistence level, the economic fabric was regarded as impregnable. Yet the wages-fund and the population theory have followed the economic man into the limbo of forgotten errors.

The doctrine of free competition is essentially negative, as suited the critical century which gave it birth. Its work was destructive, to clear the ground for a fresh synthesis. As soon as its deleterious results began to be felt, it called into life a new principle, the constructive conception of association or co-operation. In biology we recognise the adaptation to environment whereby animals and plants threatened by any noxious element assume a corresponding means of defence. Similarly, when the welfare of society was imperilled by the embodiment of individualist theories into practice, men spontaneously sought in combined action a means of protection. They did this not in pursuance of a new philosophy—that came later to explain their action—but they acted unconsciously on a theory in every respect contradictory of that which held the field. In this, as in many other departments of political science, the working classes had to struggle towards the enunciation of the truth in opposition to the pundits of the day. Yet they were not without valuable assistance from outside their own ranks. Carlyle, perhaps, was the first to make an effective breach in the individualist stronghold by opposing the collective to the atomist view of society. "Such is Society," he wrote in 1831,[1] "the vital articulation of many individuals into a new collective individual: greatly the most important of man's attainments on this earth; that in which, and by virtue of which, all his other attainments and attempts find their arena, and have their value." And his fervent denunciations of the evils he saw in industry were the natural

[1] "Characteristics," *Essays*, vol. iv. p. 11.

result of the application of this general view to particular phenomena. To the old notion that Society is a mere aggregate of individuals, each by natural right a law unto himself, we now oppose the conception of Society as a corporation of citizens associated together for the satisfaction of their needs. Hitherto it has seemed good to rely upon individual effort and private interest for the fulfilment of the ends of the partnership, but the interest of Society is something beyond and apart from the interests of its members, and it has the power and the duty to act corporately when its welfare is threatened by the antagonism of its component parts. This denial of the old atomistic view is powerfully supported by the application of evolutionary ideas to political science. Said Professor Huxley:[1] "I am unable to see that civil society is anything but a corporation established for a moral object—namely, the good of its members—and therefore that it may take such measures as seem fitting for the attainment of that which the general voice decides to be the general good. . . . I conceive it to be demonstrable that the higher and the more complex the organisation of the social body, the more closely is the life of each member bound up with that of the whole; and the larger becomes the category of acts which cease to be merely self-regarding, and which interfere with the freedom of others more or less seriously."

In the language of modern science Society is an organism which can only be healthy when all its parts are healthy, and whose component parts can only find their proper sphere of action in due subordination to the whole and in fitting co-ordination with one another. We may carry the analogy further and say that just as the cells of the human body act in concert locally to repel any attack from injurious elements, so, too, do the human cells of the social organism associate themselves together with a more or less wide scope of action to meet any danger threatening their common existence,

[1] "The Struggle for Existence," *Nineteenth Century*, February 1888.

while in supreme cases the forces of the whole body are brought into play. Thus in the evolution of the State we find the separate groups of the family, the tribe, and the nation organised to meet a widening series of necessities. Similarly in the sphere of industry we find the workers banding themselves together locally and nationally into trade unions, with a regular progression from the shop club through the district union to the federation. Consumers, in like manner, have evolved the co-operative store with its national ramifications. Finally, the bond of citizenship forms a wider basis for action through the various organs of administration from the parish to the central government.

The ideas of association and competition are obviously incompatible. The industrial history of the nineteenth century is made up of their conflict and of the evolution which they have undergone. While they modified the industrial world, their action was largely affected by the general spread of knowledge and by the application of new scientific discoveries to manufacture. By affecting legislation and public opinion, they have changed the organisation of industry, until to-day we live in a world very different from that of a hundred years ago, and the outlook for the future seems as strange as did the prospect of the new century to the handloom weavers. To sketch the working of the two ideas, to estimate their results, to disentangle the principal conceptions which animated the organisations they brought into existence, and to obtain some hint of the future structure of Society, form the chief objects of the succeeding chapters. This is a necessary prelude to the consideration of the question, What is to be done with the Trusts? After a century of competition we find that a new motive is gripping the industrial world, the desire to put an end to competition while maintaining the private ownership and direction of industry. It is no new phenomenon in the United States, it has been established for some time in Germany, every

day it is winning new territory in Great Britain, even far Japan now feels its influence. We have here no State-fed monopoly like those which Adam Smith fought and overthrew; it is a spontaneous development of industry, and the old maxims of Ricardo and M'Culloch do not help us. The anti-competitive tendency towards combination in trade and manufacture is either evanescent or permanent. Some opponents would have us believe that the engineers of trusts are commercial monsters endowed with a double dose of original sin and modern ability, that America was specially created as a field for their operations, and that in other more favoured countries they can obtain no footing. Others maintain that a protective tariff is necessary to their success, and that free-trade nations can keep on competing in perfect reliance on the natural laws of political economy. If either of those two sections of the community is right, we can continue in the old ways of government; but before we can come to this comfortable conclusion the facts must be examined. A third party holds that trusts and other combinations are a natural development of the principle of competition applied to industry, and that, while they have great merits from the productive standpoint, they imply great dangers to the commonweal. If this be so, we shall have to recast our whole body of opinions as to the relations between the State and industry, and nothing can be more inept than to attempt to do so by isolating these new industrial phenomena and treating them as if they had no connection with the past history of manufactures and commerce. Alike to ascertain the real nature of trusts and to determine our policy in regard to them, we must deal with them as being, in part at least, conditioned by the developments of the last hundred years. The struggle of competition to assert itself, its necessity as an industrial motive, its method of working when it had shaken itself free of feudal shackles, will all help us to understand how competition is now being replaced by a new motive for organisation. And similarly if we

would estimate the forces now active in society which may exercise a modifying influence on the new phase of evolution, if we would consider to what better form of society we should guide the industrial organism, we must trace the counteractive forces which competition called to life, both those which failed and those which succeeded.

For the sketching-out of the century-old conflict between competition and association there is abundant material in the works of those who have devoted special study to particular aspects of the struggle. The difficulty is really to decide which are the most prominent facts out of the great mass of details at our disposal. But when we come to describe the actual condition of things to-day, it is no easy matter to get at the facts themselves. Economists like Professor Ashley, politicians like Mr. Bryce, have recently urged the necessity for the collection and valuation of the facts about combination in industry; but where these facts consist in private arrangements between commercial men, which can only be surmised from their results, the way of the investigator is hard. Something, however, can be done by the study of company prospectuses and reports and the diligent perusal of trade papers, and the summary presentment of details thus ascertained may perhaps serve as a basis for further investigation.

Curiously enough, the century divides itself into two nearly equal parts, the first of which may be called the period of experiment, the second the period of free development. This book accordingly falls into a similar division. In the first part we shall deal with the growth of competition to be the dominant force in industry, and the results which followed from the policy of leaving it alone in all its native crudity. We shall also sketch the fierce revolt of the masses who suffered from *laissez-faire*, and the slow beginnings of the conception of the State as the regulator of industry. In the second part, the history of competition will be taken up again at the point where it could work in

freedom, and its evolution will be followed until it ends in an apparent tendency to produce great private monopolies. The voluntary forms of association, antagonistic to competition, will also find their place; and finally an attempt will be made to offer some suggestions towards a new national industrial policy.

CHAPTER II

THE EARLY ACHIEVEMENTS OF COMPETITION

In these latter days competition, however free, is described even by manufacturers in terms far different from the rhapsodies of Smith and Ricardo. No longer one of the blessings of natural liberty, it appears to be "suicidal," "unhealthy," "excessive," and a "vexatious rivalry," in the words of the framers of recent company prospectuses. It therefore will not be amiss to devote some space to the consideration of the part which it played in the evolution of the present form of industry. Indeed, it may be doubted whether any other force, taking all the circumstances of the time, would have been sufficient to break the bonds of the mediæval regulations which had grown from a protection to a hindrance to industry. Elsewhere the evils which followed in its train will be considered. Here we take the view of the classical economists that competition secured the great social advantage of the elimination of the unfit in industry by manufacturers more able to cope with the difficulties of trade, and more responsive to the needs of their customers. While, also, under the rule of customary prices, any improvement redounded only to the advantage of the manufacturer, free competition in the open market forced down prices and transferred the advantage from a few private persons to the whole nation. The contemplation of these advantages induced in the old observers a

complacent toleration of the waste and misery of the competitive system which we need not share, while giving all due importance to the results of the splendid eruption of energy which followed the adoption of the ideas of Adam Smith.

These results were, in truth, so staggering in their magnitude, that we can well understand that those who witnessed them considered the principle from which they flowed to be the last word of human wisdom. We may take the date of the publication of the *Wealth of Nations*, 1776, as approximately the birth of the era of competition; and already in 1800 the value of property in England and Wales was estimated at £1,500,000,000, or three times what it had been in the middle of the previous century. By 1812, although the country had gone through twenty years of an exhausting war, the estimate had risen to £2,700,000,000 for the United Kingdom; in 1833 it was £3,600,000,000, and in 1845 the income-tax figures gave it as £4,000,000,000. After making all allowance for the looseness of these figures, the increase in wealth was prodigious, and that, it must be remembered, during a period when international trade was very far from "free." Of competition and *laissez-faire*, Mr. Cooke Taylor eloquently says:[1]—"The advance in material prosperity and power which the country immediately made under it was such as the world had never before witnessed. Incited by the prodigious stimulus of unfettered freedom of action, and aided by vast accumulations of wealth, enterprise took a thousand new and wondrous shapes, and scored a thousand great successes. Nor was this advance confined only to material comforts and conveniences, to which the teaching was more specially directed; it carried with it a corresponding advance in civil and religious liberty, in the abolition of political disabilities and hereditary privileges, in the decrease of the military spirit, the reform of manners, and the desire

[1] *Modern Factory System*, p. 257. Kegan Paul, 1891.

for and diffusion of knowledge. It is scarcely a wonder then that, surveying the new world thus created (by these means principally), the inhabitants of it—especially if they were capitalists—should declare it very good, and have been difficult to convince that there was anything still wanting."

It is a significant fact that the industrial revolution could only find its earliest development in an industry which was free from the old gild restrictions. The woollen industry had been for centuries the staple trade of England, and had the advantage of many favouring legal enactments, such as the compulsory use of woollen shrouds; in 1701 it contributed £2,000,000, or one quarter of the whole, to the exports of the kingdom. The cotton manufacture was a "new" trade in the sense of the Statute of Apprentices, and was burdened with heavy import duties not removed till the time of Sir Robert Peel; yet in 1801 the export of cotton goods was £7,000,000. The older industry only gradually shook itself clear from the fetters of outworn custom; the new trade governed by free competition could at once utilise the new machines and the new motor which were to revolutionise the industrial world, and make the despised cotton the emblem of England's greatness. The splendid series of inventions which dignified the last quarter of the eighteenth century was not governed by blind chance, but almost strictly followed the needs of the market. Originally, it took six or seven hand-spinners to keep a weaver at work, and the latter filled in his spare time by working on the small farm attached to his country cottage. Consequently, it was to spinning that inventors gave their first attention, and it was in that branch of the industry that the machines of Arkwright, Hargreaves, and Crompton first converted the worker into a property-less operative. In 1788 there were 143 water-mills—of unredeemed hideousness, it may be noted, for the age was strictly utilitarian—but the needs of manufacture required less capricious agents than wind and water, and the dis-

coveries of Watt were utilised in the institution of the first steam cotton-mill in 1785; steam was not used in wool-spinning till 1793. Now the hand-weaver, having plenty of material, gave up his farm and with it his independence, work at the loom was so well paid. The improved machines for spinning demanded a more abundant and better-dressed supply of fibre than before, and called forth the invention of Whitney's cotton gin in 1793, for separating the seed from the fibre. Lastly, the increased production of yarn demanded a larger market than was afforded by the hand-workers, and necessitated the invention of machinery to use up the supply. Cartwright's first unsuccessful attempt was made in 1787, but a powerloom that would work long eluded the inventors; even after Johnson's and Horrocks's improvements there were only 2400 powerlooms at work in 1813. Invention is not wholly a haphazard or semi-miraculous phenomenon. The inventor, looking to capitalists to adopt his improvements, seeks what will be most profitable, and that is conditioned by the competitive market.

It was a matter of considerable importance for the English cotton industry that it grew up in a period when the Continent of Europe was devastated by universal war. The Napoleonic campaigns hindered the extension of the new inventions in spinning and in steam engines to other industrial countries, while they scarcely harmed English industry, thereby giving us the advantage of a quarter of a century in the organisation of the factory system, an advantage which we have only begun to lose of late years. Thanks to a tremendous growth of smuggling, our exports, which before the war never exceeded £22,000,000, averaged between 1805 and 1815 £41,000,000 annually. Up to the end of the war there was no depression, except from 1812 to 1814, when the rival attempts of the English and French governments at a commercial boycott brought the manufacturing districts to the condition of distress so vividly depicted by

Charlotte Brontë in *Shirley*. As John Fielden said, "the profits of manufactures were enormous," and in that period the foundation of the great factory families was laid. The conclusion of the war brought about a great change, for spinning mills at once arose everywhere in France, Switzerland, and America. International competition appearing on the scene while the industry was still in a transitional period, swept away the monopoly which England had so long enjoyed, and brought down at a headlong rate the prices which had already been reduced by the early inventions and by competition at home. Dr. Schulze-Gaevernitz, in his book on *The Cotton Trade in England and on the Continent*, gives the following figures:—

	1784.	1797.	1812.	1822.	1832.
Price of 1 lb. of yarn, No. 40's twist . .	10/11	7/6	2/6	1/4⅜	-/11¼
Price of the necessary cotton for this (18 oz.) .	2/-	3/4	1/6	-/9	-/7¾
Balance for expenses and profits . . .	8/11	4/2	1/-	-/7⅜	-/4

It was this fall of profits caused by excess of competition which produced the long business crises of the thirties and forties, characterised by bitter complaints of the masters and intense misery among the work-people. England could only succeed in the international struggle by lowering prices still more, that is to say, by reducing the cost of production. "Cheapening of the costs of production was now the innermost principle of trading," says Dr. Schulze-Gaevernitz. As wages were already at a minimum, this result had to be sought in a variety of other ways. The industry, previously spread over a much wider area, was concentrated into Lancashire, where the moist climate was particularly favourable. Considerations of ease in supply and of convenience in creating a market for the disposal of goods led to a further localisation of different branches of the industry. Small factories and water-mills had to give way to larger mills dependent on steam-power. Even thus early was competition enunciating the truth that it only succeeds by a process of commercial cannibalism, the small business being

eaten up by a larger firm, and that again by one still larger. The larger the business, the more economies it permits in the use of power and in management; the organisation or labour is higher; it affords scope for a greater brain force; and it provides a living wage for its employer at a lower rate of profit than a small master can endure. These lessons are now the veriest platitudes of business life, but in the early years of the century they had to be enforced by the whip of necessity unconsciously wielded by competing traders. Inside the factory the methods of dealing with the raw material were improved, and better and larger machinery was set up. By the side of foreign competition it may be noted that the most powerful incentive to the introduction of machinery has always been the desire to make the employer independent of his workmen. In the early years of the century the workmen were certainly, and with good reason, turbulent, and the masters hoped that "when capital enlists science into her service, the refractory hand of labour will always be taught docility."[1] The self-actor mule, introduced in 1830 in consequence of a strike, was the first of a long series of inventions of this kind. The efficiency of this improved machinery was increased by the higher speed at which it was worked. Lord Ashley told the House of Commons in 1844: "In 1815, the labour of following a pair of mules spinning cotton yarn of No. 40—reckoning 12 hours to the working day—involved a necessity of walking 8 miles. In 1832, the distance travelled in following a pair of mules, spinning cotton yarn of the same number, was 20 miles, and frequently more." One unexpected result followed on the new machinery. Such costly and delicate gear could not be entrusted to the care of young children or unskilled labourers. To keep it in good order required workmen with intellect and steadiness of character. Almost unconsciously the needed class was developed; and as such qualities could not be found in overworked wretches

[1] Ure, *The Philosophy of Manufactures* (1835), p. 370.

starving on the margin of subsistence, wages rose, while the working day decreased. Owing to the increasing productivity of labour and machinery, the cost of labour in spinning fell from 20 to 40 per cent; and although the piecework rates fell, the weekly earnings of the operatives increased. According to Dr. Schulze-Gaevernitz we have the following facts regarding the spinning of 180 counts:—

	1804.	1814.	1833.
Yarn produced per week—lbs. . . .	12	18	22½
Hours worked per week	74 to 80	74	69
Net earnings of spinner	32/6	44/6	33/8
Equivalent of wages in lbs. of flour . .	117	175	210

Even so early in the century was the force of competition showing the economy of high wages and adult labour against low wages and child labour. The argument was to prove very effective in later years in forcing on factory legislation and in securing toleration for trade unions; but though it can be put to the credit of competition, the manufacturers are not thereby entitled to any honour. The majority of them stubbornly closed their eyes to it; and even to-day, when it is fully admitted by economists, the foreign workman poorly paid and toiling excessive hours is one of the familiar bogeys used to terrify the trade unionist.

The strain of foreign competition, by cutting off the market for yarns, caused additional attention to be devoted to weaving and the improvement of the powerloom. Although the first powerloom had been invented in 1787, it was not till after 1820 that any great progress was made in its use; even ten years later there were at most only 80,000 powerlooms against 250,000 handlooms, and manufacturing witnesses told the Committee on Manufactures in 1833 that "handloom weavers increase and must increase" (Questions 11,992; 1212). But in 1856 there were 298,847 powerlooms and only a few thousand handlooms, at such a rate had the change proceeded.

The history of these early years of the cotton industry

has been presented in some detail, because it was the first industry to feel the effects of the new mental motive-power, competition, and because in that time the characteristic features of the new system all showed themselves. The localisation and concentration of industry, the growth of the business unit, the ever-increasing use of machinery, the greater productivity of labour, the lessening cost of production, the need for a more efficient, and therefore a better remunerated, working class, were then and have since remained the main contributions of free competition to the organisation of industry. After taking this sample, so to speak, it will not be necessary to deal with them in detail again except where there have been special developments. The history of cotton can be paralleled in every other industry: wool followed the same course at some little distance; printing, bleaching, and dyeing had necessarily to share the development of the main textile trades; the iron and coal industries were forced to a high pitch of scientific excellence by the demands for machinery and power; other handicraft trades, even the so-called "home" or "domestic" industries, such as tailoring and shoemaking, were driven to the factory and machine-production.

Competition working on highly productive machinery had to find markets for its produce, and to utilise the markets it had to find out ways and means of communication. Up almost to the end of the eighteenth century the methods of transport were so imperfect that trade was seriously restricted thereby. Not the inconveniences of travel but the needs of business brought about the change: canals preceded good roads. Even so late as the time of Arthur Young, that indefatigable traveller had to denounce the roads on which he rode as "barbarous" and "execrable." Doubtless Watt would have speculated over his boiling kettle even if no cotton-plant had ever grown, but he and Fulton and Stephenson required a furiously expanding trade to make their discoveries more useful than those of Prince

Rupert and the Marquis of Worcester. During the industrial revolution the national industry passed through three stages—the period of the great inventions, 1770-1792; the period of the application of steam, 1792-1830; and the period of steam locomotion, 1830-1845. But for the discovery of the new motor, steam, the great inventions would have been nullified; but for the railway and the steamboat, commerce would have remained within narrow bounds. Each invention came responsive to the demands of trade, made competition more effective, and widened the scope of trade-rivalry. The first English railway—the Liverpool and Manchester—built with public money for the public benefit, was opened in 1830, the first ocean steamboat was launched in 1838. The success of the railways was immediate; the passenger receipts on the Liverpool railway were at once over £100,000 a year, instead of the £10,000 which was expected. Owing to parliamentary and legal difficulties, progress at first was slow; by the end of 1842 only 1857 miles were open; but by the end of 1849 there were 6031, and the goods traffic had more than trebled in value. The effect of railways and steamships in increasing trade cannot be separated from the action of other contemporaneous causes; but we may form some estimate by reflecting on the facts that the net income of British railways to-day is about equal, and the amount paid to us by foreign countries for freight about double, in value the whole of the exports of British produce and manufactures in 1830.

So far we have considered competition working hand in hand with science and invention; we have now to consider it in a very different sphere. Over all the period dealt with there was competition, but not free competition; a man could not always buy in the cheapest market. Adam Smith had equally denounced the gild restrictions on industry and the fiscal restrictions on commerce, and had proclaimed an equal necessity for trade to be free in each case. The manufacturers readily followed him in the first demand, for

it meant the removal of hindrances to the reduction of wages and cost of production. They were much slower to see that he was right in his criticism of laws which professed to aim at the protection of native industry. Burke had been a free trader, and Pitt was Adam Smith's first disciple; but the Great War put off all reforms, and in the bad times which followed its close the business men of Great Britain learned some practical economics. In 1820 the merchants of London and Edinburgh, in a petition to the House of Commons, put the case for free trade with admirable succinctness, setting forth "that the maxim of buying in the cheapest market and selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable as the best rule for the trade of the whole nation. . . . No importation could be continued for any length of time without a corresponding exportation, direct or indirect." There were at that time fifteen hundred Acts of Parliament in force dealing with customs. The first great free-trade minister was Huskisson, and during his reign at the Board of Trade, from 1823 to 1827, he cut down all duties on foreign goods to a maximum of 30 per cent; the duty on cotton goods fell from between 75 and 50 per cent to 10, and the duty on linens from 180 per cent to 25. It was the beginning of a commercial revolution. Imports rose 26 per cent during the five years, and exports, which during the decade 1821-30 had averaged £36,597,623, rose during the following ten years to an annual average of £45,244,257. Of even greater significance was the repeal of the Navigation Laws in 1822-24. These laws provided that no merchandise should be imported from non-European countries into Great Britain except in ships built, owned, and officered by Englishmen, and with crews at least three-fourths English; differential duties were imposed on goods imported from Europe in foreign ships; and unless the vessel belonged to the country of origin, double aliens' duty was imposed. The avowed objects of these measures were to destroy Dutch

commerce and to make England a great sea-power, and in these they fully succeeded. Adam Smith acknowledged that the best way of obtaining goods cheap was to encourage people to send them to us in their own ships, and that the most certain means for selling dear was to have a large number of customers in our ports. Yet he made these restrictive laws the most prominent exception from his denunciations of trade regulation. "It is not impossible," he said,[1] "that some of the regulations of this famous Act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. . . . As defence is of much more importance than opulence, the Act of Navigation is, perhaps, the wisest of all the commercial regulations of England." Yet despite the approval of the prophet of commercial freedom, despite the fact that since the end of the war English shipping had steadily declined, Mr. Huskisson carried a series of measures extending complete freedom of intercourse on the same terms as English vessels to the ships of all countries which did not discriminate against English ships.

Nevertheless, the most powerful stronghold of the protectionists was still to be attacked. Adam Smith draws an idyllic picture of the virtuous country gentry and farmers seduced from the paths of rectitude by the allurements of "underling tradesmen"; but his protégés had learnt their lesson so well, and had become so enamoured of the high rents and profits that prevailed during the war, that in 1815 they secured the passing of a Corn Law only permitting the free importation of foreign wheat when the price had risen to eighty shillings a quarter—reduced to seventy shillings in 1822. Vehement agitation followed, for the people were poverty-stricken, and "No Corn Laws" was the motto on one of the banners carried at Peterloo. In 1828 the sliding-scale was substituted with an elaborate

[1] *Wealth of Nations*, book iv. ch. ii.

scale of irregular duties diminishing to one shilling a quarter when the price was seventy-three shillings. The Reform Act of 1832 was very largely a tradesmen's victory, and the rank and file hoped much from the statesmen they put into power and kept there till 1841. But their scanty store of ideas was confined to the machinery of politics, and when it was exhausted they were bankrupt alike in reputation and intellect. "That truckling subserviency," wrote Cobden in 1838,[1] "of the ministry to the menaces of the Tories is just in character with the conduct of the Whigs, on all questions great or little. Without principle or political honesty, they are likewise destitute of any atom of the courage or independence which honesty can inspire, and the party which bullies them most will be sure to command their obedience." When in 1841 the Whig leaders achieved a headlong conversion, and proposed a fixed eight-shilling duty upon wheat, they did not convince any one that the sudden change was due to anything but an immoral desire to retain office.

The Anti-Corn Law movement was not the work of a political party, but of the capitalists driven on by years of depressed trade. An association for abolition had been formed in 1836 by the parliamentary radicals, but it came to nought, and the real agitation began in Manchester in 1838. "I am afraid," said Cobden later,[2] "that most of us entered upon this struggle with the belief that we had some distinct class-interest in the question, and that we should carry it by a manifestation of our will in this district, against the will and consent of other portions of the community." "Let us," said he, in appealing for subscriptions,[3] "invest part of our property, in order to save the rest from confiscation." The manufacturers showed that the exclusion of foreign food from British markets limited the sale of their products, and compelled the erection of

[1] *Life of Richard Cobden*, John Morley, vol. i. ch. v. p. 125 (1896 ed.). Fisher Unwin. [2] *Op. cit.* ch. vi. p. 141. [3] *Op. cit.* p. 146.

factories abroad for the production of goods which British laws prevented them from obtaining from England. The abundance of unmarketable corn abroad kept down wages and the cost of production, so as to give a formidable advantage to our foreign rivals. "The price of wheat had risen to seventy-seven shillings in the August of 1838; there was every prospect of a wet harvesting; the revenue was declining; deficit was becoming a familiar word; pauperism was increasing; and the manufacturing population of Lancashire were finding it impossible to support themselves, because the landlords, and the legislation of a generation of landlords before them, insisted on keeping the first necessity of life at an artificially high rate."[1] Many manufacturers hoped that if the price of corn went down, they would be able to diminish the cost of production by reducing wages. This characteristic expectation was both justified and falsified. The cost of production was reduced, yet not by a fall in wages, but by a rise in efficiency owing to cheaper food.

Foreign competition was thus the *causa causans* of the agitation. Later, the minds of the protagonists widened, and Cobden and Bright fought for the removal of a social injustice which taxed "the family of a nobleman . . . about one halfpenny on every hundred pounds of income, while the effect of the tax on the family of the labouring man was not less than 20 per cent."[2] The material reasons always formed the backbone of the manufacturers' arguments, but as the distress deepened their moral fervour strengthened. "I know that starvation is stalking through the land, and that men are perishing for want of the merest necessities of life. When I witness this," said Cobden,[3] "and recollect that there is a law which especially provides for keeping our population in absolute want, I cannot help attributing murder to the legislature of this country: and wherever

[1] *Life of Richard Cobden*, John Morley, vol. i. ch. vi. p. 144.
[2] *Op. cit.* ch. viii. p. 178.
[3] *Op. cit.* pp. 186, 187.

I stand, whether here or out-of-doors, I will denounce that system of legislative murder." In yet another aspect was the Corn Law agitation a manufacturers' question, derivative from the great principle of competition. It was, at first unconsciously, the battle-ground on which was fought out the struggle for political and social supremacy between the old aristocracy and the offspring of the industrial revolution. The conflict was a class war between landlord and manufacturer, and the weapon of competition proved more efficient than the defence of privilege. Even the unexpected opposition which the manufacturers met from the working classes was an inheritance from the first factory-owners, who justified their brutalities with the same arguments by which it was now hoped to assure the workers of the reality of their masters' reforming zeal. But the workers were slow to be convinced; they could not believe that the wolf would voluntarily prune his claws and draw his teeth, and saw in the new agitation only a vile attempt to divert public attention from factory legislation and universal suffrage. Yet even this most powerful obstacle of suspicion was overcome.

The "strong but furtive intellect" of Peel was slowly yielding to the educative influences of bad trade and an empty exchequer. The Tariff Committee of 1840 showed that our customs duties failed in reconciling the incompatible purposes of revenue and protection; the whole of the burden fell on the consumer, while the revenue only benefited by the protection of British manufactures to the extent of half a million sterling; 1150 enumerated articles paid special rates of duty, and all others a general rate, and 17 of these produced 94½ per cent of the total revenue. Peel in 1842 passed a new sliding-scale, reducing the duties on wheat by one-half; in the same year came the first instalment of Peel-Gladstone finance, reducing or abolishing the duties on 750 articles, and practically freeing

all raw materials and semi-manufactured articles. Still the work of agitation went on; the men who had been driven into the movement by the stress of competition succeeded in winning over their fellow-manufacturers, the town-workers, and finally the agricultural labourers. They found an excellent proof of the validity of their arguments in the expansion of our Eastern trade, which had quadrupled in the ten years following the conclusion of the monopoly of the East India Company in 1834. Meanwhile the condition of the farming classes was getting worse, and the dread of an Irish famine in 1845 completed Peel's conversion. A reluctant Parliament voted the total repeal of the Corn Laws in 1846, and the last vestige of the legislative encouragement of starvation disappeared in 1849.

The organisation of industry and the freedom of trade were the two great achievements of free competition in the first half of this century—the two real benefits it has conferred on humanity. But the same principle was active in politics. The suffragists and the economists alike drew their inspiration from the same source. What Voltaire had borrowed from Locke and Hobbes was repaid by Rousseau and the physiocrats. Each appealed to Nature, each proclaimed the dependence of their beliefs on natural rights—the right to free disposal of one's labour, the right to self-government. Even in 1784, Burke declared that nine-tenths of the reformers agreed on the natural right. Free competition is but the economic form of the political declaration of the equality of man. Men are the best judges of their material interests, therefore they do not require a ruling caste to govern them. Self-interest was held to be the sole spur to action, and naturally the utilitarians were devoted followers of Adam Smith, and at the same time ardent radicals. Radicalism, *laissez-faire*, individualism became almost identical terms. The economic man was the ideal elector of the political theorists. The

industrial revolution built up the large towns and created Lancashire and Yorkshire. The manufacturer claimed his own from the aristocrat, and like the nabob from India sought to secure political power and social status by outbidding the peers in the purchase of pocket-boroughs. Grampound and Manchester typified the old and the new. The working classes, intoxicated with the idea that they too were, in theory at least, "free and equal," took up the battle for reform from 1815 to 1819, resolving to use their votes for their emancipation from all the evils under which they suffered. The early agitations were stamped out on the scaffold and in prison. Burke's words in 1769 excellently sum up the sentiments which animated the governing classes for the next sixty years:[1] "Our Ministers are of opinion that the increase of our trade and manufactures, that our growth by colonisation and by conquest, have concurred to accumulate immense wealth in the hands of some individuals; and this again being dispersed amongst the people, has rendered them universally proud, ferocious, and ungovernable; that the insolence of some from their enormous wealth, and the boldness of others from a guilty poverty, have rendered them capable of the most atrocious attempts; so that they have trampled upon all subordination, and violently borne down the unarmed laws of a free Government—barriers too feeble against the fury of a populace so fierce and licentious as ours. They contend that no adequate provocation has been given for so spreading a discontent, our affairs having been conducted throughout with remarkable temper and consummate wisdom. The wicked industry of some libellers, joined to the intrigues of a few disappointed politicians, have, in their opinion, been able to produce this unnatural ferment in the nation."

If the working classes had failed, the middle classes would not be denied. They had entered on their struggle for supremacy, and besides they needed Parliament for trade

[1] *Thoughts on the Present Discontents.*

purposes—the calico-printers, for example, in 1831 were proposing to purchase a seat in Parliament, so that their views on the heavy taxes which burdened their industry might find expression. The workers, intending to present their own bill afterwards, were willing to march behind their masters and allow themselves to be used to terrify the aristocracy. The country went to the verge of civil war, a rebellion was planned to break out at Birmingham under the probable leadership of Napier of Peninsular fame. Lovett says[1] that when the Duke of Wellington took office in 1831, there was an arrangement "for seizing the wives and children of the aristocracy and carrying them as hostages into the north until the Reform Bill was past." Fortunately, however, Place's plan of a run on the Bank of England was effective, and the ten-pound householder was enfranchised in 1832.

This was the first political victory of the middle classes; the second was the Municipal Reform Act of 1835. Privilege and corruption had been ousted from their share in the national administration; it remained to expel them from local government. In the Middle Ages town government was closely connected with the merchants' and trades' gilds; and since every reputable person belonged to one of those bodies, the municipal corporations were fairly representative of the people. When the gilds decayed the corporations became less representative, and the degradation was hurried on when the Tudors and Stuarts found it advantageous to corrupt them as parliamentary constituencies and to restrict their membership so as to bring them under royal influence. Later, scores of the towns were held as pocket-boroughs by the crown, the peers, or wealthy commoners. The town-councils consisted of a mere handful of men, sometimes holding office for life, and generally self-elective. As the country grew in wealth, so did the town property and old charitable funds, and the

[1] *Life and Struggles of William Lovett*, note to p. 217. London, 1876.

grossest financial scandals were abundant. Out of 246 boroughs in 1833, only 28 published accounts. "The municipalities became in large part a great vested interest, held in a few hands and used corruptly and wickedly to demoralise politics and misgovern the nation. As for the towns themselves, in their local management, they were neglected and in a disgraceful state."[1] The special trading privileges conferred on the freemen of corporate towns had restricted their growth and driven new industries to distant places. While the old boroughs were decaying, new and populous cities were springing over the kingdom, for Arkwright had made the factory and Watt created the factory town. These manufacturing centres were without municipal government, and were treated merely as populous districts of the counties in which they happened to be situated. The scandal had long been notorious, and after the Reform Act could no longer be tolerated. The Scotch Municipal Government Act was passed in 1833, the English Act followed in 1835, but Ireland had to wait till 1840, and, significant of the power of privilege, the city of London was, and still is, excluded. The ideas of the Whigs did not go beyond the machinery of government, and the political philosophy of the day forbade direct interference with the evils of misgovernment or no government. The municipal franchise was assimilated to the parliamentary franchise, and the election of the town-councils was placed in the hands of the householders. The trading privileges of the freemen were completely swept away. But even then the battle was not completely won. Although existing corporations were reformed, towns not yet incorporated could only receive charters on a petition being presented to the Crown in Council from a majority of the ratepaying inhabitants. The elements of corruption and disorder had to be fought anew, and not till 1838 did Manchester and Birmingham

[1] *Municipal Government in Great Britain*, Dr. Albert Shaw (New York, 1895), pp. 23, 24.

receive their charters. It was again a victory of the factory-made middle classes. As Cobden said, "the shopocracy carried the day." There was no great immediate improvement in the condition of the towns. When even the institution of Peel's police force in 1829 had been fiercely resisted as an interference with individual liberty, it was not to be expected that apathy in other matters should at once cease to exist. But when newer ideas began to make their way, they found in the reformed councils the machinery ready at hand by which was created that splendid development of municipal activity which is one of the chief glories of the nineteenth century.

CHAPTER III

THE REVERSE OF THE SHIELD

THE early achievements of Competition were stupendous, but the evils which it brought in its train were no less in magnitude. If the partisans of the capitalists could chant the golden splendours of the shield, there was notwithstanding a deadly black reverse of which they never spoke. On the whole, not much can be advanced in criticism of the work of the *laissez-faire* principle in building up the new system of production. At all events, there was not then in existence any means or experience or theory on which a better form of organisation could have been constructed. But from this statement an exception must be made of the railway service, which early exhibited defects so great as to force themselves upon Parliament. At first it had been curiously hoped that traders would be able to use the railways like roads for their own vehicles, but that expectation only lasted a short time; next, the competition of the canals was killed by purchase; and finally, competing lines, grown tired of fighting, amalgamated, and raised their rates to recoup themselves for the expense of competition. Rates and charges were generally excessive, and yet the State had required no equivalent in return for the unique privileges it conceded. Not till 1838 could the Postmaster-General insist on the carriage of the mails even for payment. In 1840 bye-laws had to be submitted to the Board of Trade,

and in 1842 the fencing of lines was made compulsory. Encouraged by the success of the Belgian system, reformers proposed that, instead of allowing competing lines to be built where the greatest traffic was expected, to the neglect of the rest of the country, the Government should map out a national scheme of railways, and grant a monopoly in return for effective control over rates; but even such a moderate and economical proposal was rejected. The high-water of legislation was reached in the Act of 1845, requiring the provision of at least one train per day on each line at a penny a mile, and empowering the Treasury to revise rates after the expiry of twenty-one years if dividends were not below 10 per cent, and to purchase the lines after twenty-five years on the basis of twenty-five years' purchase. This illusory legislation was followed by the appointment of the Select Committee on Railway Enactments, whose Second Report, issued in 1846, is still worth reading for the trenchancy of its language. "If it be necessary," runs this document, "for the public welfare that a country should never divest itself in perpetuity of its right of property in its ordinary highways, it is still more important that it should not part with the right to control its railways. . . . It is confidently stated by nearly all the witnesses examined by your Committee that the public cannot count on being relieved by competition from the consequences of an abusive exercise of power on the part of Railway Companies. From the very nature of things, therefore, a Railway Company exercises a complete monopoly; but a monopoly subject to no responsibility, and under no efficient check or control, is necessarily an intolerable abuse; and it can only be rendered innoxious by subjecting it to rigorous control and supervision." Another contemporary observer of great weight, Mr. Porter, came to the same conclusion:[1]—"The *laissez-faire* system, which is pursued in this country to such an extent that it has become an axiom with the Government

[1] *Progress of the Nation*, p. 336 (1847 ed.).

to undertake nothing and to interfere with nothing which can be accomplished by individual enterprise or by the associated means of private parties, has been pregnant with great loss and inconvenience to the country in carrying forward the railway system." The most fervent exhortations, however, came to nought against the parliamentary power of the railway directors, which even at that early stage was immense, and for other forty years the traders had to keep knocking fruitlessly at the doors of the legislature.

Not only was there great loss through useless competition, but the cost of construction was needlessly large. Before the companies could get powers to fleece the public, they had to pay heavy blackmail to established robbers, so that they might be made free of the craft. The parliamentary expenditure in passing the London and Birmingham Act was £70,000, while the short Blackwall line cost £14,414 per mile under the same heading. Even more extortionate sums had to be paid to landlords, and it has been estimated that the total waste in excess compensation for taking land has been not less than £50,000,000 since the commencement of the railway era. For all this, of course, the users of the railways have had to repay the shareholders double. The great success of certain of the early railways produced a state of mind in the public which gave rise to a spirit of speculation—a phenomenon repeating itself in every successful industry and in every period of good trade. Indeed, it is the natural result of the free competition of capital. There was a regular mania for railways in 1836-37 and again in 1845-46. Up to 1831 only 69 Railway Acts had been passed, but in the decade 1831-40 there were 236. Only a few small Acts were passed in 1841-43, but then came the deluge. Up to the end of 1844, 3090 miles had been authorised, but in the two following years 7238 miles were authorised. In 1845, 1263 companies were floated, with a total capital of £563,000,000, but only 643 were registered; in 1846, 561 railway bills were put

forward, and 271 passed, involving a capital of £100,000,000. It was a glorious time for the company promoter, the gambler in scrip, and the railway king, but then the crash came and genuine projects were for a time immersed in the same ruin with bogus concerns. Even two years after, at the end of 1848, there were 2400 miles authorised which were not expected to be completed. The tremendous burst of speculation certainly hurried on the construction of railways, but not on the only sound basis of the development of the national resources. Many of the schemes were useless from the start, others only duplicated existing facilities. The damage done by the divergence of capital, and by interference with genuine trade, was even more serious than the monetary losses in the days of the panic. Still graver was the injury to the national morality, which led Carlyle a few years afterwards to ask the promoters of a statue to Hudson, the railway king: "Will it permanently profit mankind to have such a Hero as this of yours set-up for their admiration, for their imitation and emulation; or will it, so far as they do not reject and with success disregard it altogether, unspeakably tend to damage and disprofit them?"[1] The high profits arising from private monopoly intensified the Railway Mania, but we shall see later that the same evil results show themselves in circumstances where competition is absolutely free. The hope of a monopoly may increase reckless speculation, but it does not create it.

The history of the working classes during the early decades of the factory system is one of lasting ignominy in the annals of industry. It is laid up as a memorial for ever in the evidence given before successive Royal Commissions and Parliamentary Committees; it has been told and retold by many historians; it has made an indelible impress upon English literature in the pages of Carlyle, Ruskin, Dickens, Disraeli, Mrs. Browning, and Mrs. Gaskell. It has produced one immortal poem, "The Cry of the Children," and

[1] *Latter-Day Pamphlets*, No. vii. p. 246 (1850).

one narrative of undying horror, *The Memoir of Robert Blincoe*. Nevertheless, as Mr. Cooke Taylor says,[1] "it is of great and unceasing importance that that story be kept in memory: that it should never be suffered to become extinct; as a pitiful and most terrible warning against the preposterous doctrine, born of modern modes of thought, that human affairs can be entrusted to impulses of mere cupidity without shocking and degrading consequences." The retelling of this old story of wrong is all the more necessary in a time when we seem threatened by a final gathering together of all the forces of reaction against the intrusion of the forces of humanity and association into the realm of free contract. Just as we need to be reminded of what we owe to the energising power of individuality at a time when the State is extending its arms everywhere, so too is it equally necessary that we should be reminded that unchecked competition is sheer cannibalism.

When the industrial revolution was passing through its early stages, Britain was engaged in a war that was shaking the whole world to its foundations, a circumstance fraught with grave import for the new developments. The minds of statesmen and the attention of the whole nation being directed exclusively to foreign affairs, evils were allowed to cluster thickly round the new system of manufacture without being even noticed, much less checked. Never was such striking testimony given to the saying of the wise monarch, that "the eyes of a fool are in the ends of the earth," for this neglect threatened nothing less than the dissolution of the nation. And this absorption in imperial affairs coincided with a period when the maxims of the new political economy were being applied with the utmost ruthlessness by a new race of manufacturers. Most of the great inventors were drawn not from the ranks of the employers but from the working classes, and the founders of the great factory families came from the same social

[1] *The Modern Factory System*, p. 186.

stratum. There were at that time neither skilled managers to be hired by anonymous capital, nor indeed the capital to hire; that was reserved for a later stage of development. These early captains of industry were men of great business qualifications and with a vast amount of shrewdness and energy, but at the same time they were brutal, ignorant, and licentious. To entrust such men with unbounded power over the lives of other human beings could only result in crime, and every sovereign which they added to their fortunes was stained with the tears of women and the blood of children. And their power was unbounded, for not only were the old mediæval safeguards of labour destroyed or neglected, but every effort of the workers at self-defence was crushed by the infamous Combination Laws. The national horror at the excesses of the Reign of Terror magnified every working-class movement into another Jacquerie. Every attempt by the operatives to better their position was denounced by the adherents of a heaven-sent economics as frantic folly, and by the politicians as a criminal revolt against a divinely-appointed order of society.

The first result of the invention of the new machines was the substitution of the labour of women and children for that of men. The old spinners, accustomed to the free-and-easy life of the cottage workshop, refused to enter the factories, and the first recruits had to be drawn from the ranks of discharged soldiers, broken-down farmers, and the scum of the cottages. Child labour was no new thing, it flourished at least in the time of Defoe; but no self-respecting parent regarded it as other than an indelible disgrace to let his child enter the factory gates. Yet the "nimble fingers" had to be procured, and they were procured, bought like herds of slaves from the parish workhouses. Once the live freight had been handed over to its purchaser, no one gave another thought to the matter: the burdensome parish apprentices had been disposed of, and lonely water-mills in remote districts concealed the rest of the story. Wrote Mr.

Fielden, himself a manufacturer, in 1836:[1]—"Cruelty was, of course, the consequence; and there is abundant evidence on record, and preserved in the recollections of some who still live, to show that in many of the manufacturing districts, but particularly, I am afraid, in the guilty county (Lancashire) to which I belong, cruelties the most heartrending were practised upon the unoffending and friendless creatures who were thus consigned to the charge of master manufacturers; that they were harassed to the brink of death by excess of labour; that they were flogged, fettered, and tortured in the most exquisite refinement of cruelty; that they were, in many cases, starved to the bone while flogged to their work; and that even in some instances they were driven to commit suicide to evade the cruelties of a world in which, though born to it so recently, their happiest moments had been passed in the garb and coercion of a workhouse." Young women, Robert Blincoe tells us, who were "suspected of intending to run, had irons riveted on their ankles, reaching by long links and rings up to their hips, and in these they were compelled to walk to and from the mill, to work, and to sleep."

Economic pressure took little heed of the scruples of parents, and before the end of the century workmen, whom an enlightened public opinion denounced as "idle, extravagant, and profligate," were sending their own children into the factories. The first to yield may have merited that description, but the real compelling cause was hunger. Taking the average of the whole war-period, the price of wheat was eighty-four shillings a quarter, and in 1801 it mounted to nine pounds; in 1793, when the war began, it was forty-nine shillings and threepence. There was no employment for the adult man except as a soldier, and so it came to pass that England saw the spectacle of communities of adult men living on their women and children. In 1839, out of 419,560 factory hands, only 96,569 were males over

[1] *Curse of the Factory System*, p. 10.

eighteen years of age; 130,104 were women, 112,192 were girls, and 80,695 were boys. The cruelties which had been practised on the workhouse brats were continued to the free-born children. If the child unluckily survived the perils which his mother incurred through working up to the very moment of his birth, and struggled through the early years of neglect and penury in the filth of an overcrowded court, he was at the age of nine, or even when only six, carried to the factory on his father's shoulders. At six in the morning work began, and for twelve long hours six days in the week, amid the ceaseless whirring of machinery, in a heated, fœtid atmosphere, the little piecer had to dodge out and in amidst the unfenced machines, sworn at and flogged when his wearied limbs refused to do their work. The factory was a hotbed of vice—frequently the harem of the employer. As the worker grew up he could find no solace but in drink, no luxury but sexual indulgence; the capacity for aught else had been remorselessly ground out of him. Family life was broken up, the young, early emancipated from control, brutalised by their mode of existence, cut themselves free from the parents they had to maintain, and set up their own houses, to welter in the ignorance and vice which had been thrust upon them. The truck system further enslaved the worker and formed a fresh source of gain to his employer; and when he lived, as he frequently did, in a cottage belonging to his master, his last bit of freedom disappeared. Potatoes, weak tea, and bread formed the staple food, and not too much even of these. "The weavers subsist on the coarsest food: oatmeal, water porridge, onion porridge, potatoes. The parents may drink weak tea, and very little sugar in it, and eat dry bread. But even of the coarsest food they have no sufficiency." (Committee on Handloom Weavers, 1834, Question 7256.) Herrings were a luxury, and meat almost unknown.

The rate of wages was in striking contradiction to Adam Smith's canon that hard and distasteful work should be well

paid. And this was necessarily so, for a more powerful motive intervened. "Certainly," says Dr. Schulze-Gaevernitz,[1] "the power of that first generation of English large employers consisted entirely in the carrying-out of the principle of economy, regardless of anything. The proposition: Satisfy thy wants with the smallest possible expense, produce at the lowest cost, was of so much value to them that the choir of national economists accompanying the drama declared it to be the everlasting law of human life. . . . The 'white slaves' which the modern factory system has produced have been spoken of. This is more than a saying. Because, in spite of outward differences, the position of those factory proletarians certainly resembles that of slaves, in that they seem in a hopeless manner to be forced to the minimum standard of living." Baines and Ure, in their books on the cotton industry, show that fine-cotton spinners earned from thirty-three to forty-three shillings per week in 1833; but according to Mr. Houldsworth, a leading manufacturer of that time, the average wage of a spinner in Manchester in that same year was twenty-seven shillings. The lot of the weavers was much worse, and wages, which in the period 1797 to 1804 had averaged twenty-six shillings and eightpence per week, or the equivalent of a hundred pounds of flour, fell in the period 1825 to 1832 to six shillings and fourpence, equal only to thirty-eight pounds of wheat-flour. This was due not to the competition of the powerloom, which was quite unimportant over all those years, but in the first place to the heavy exports of yarn during the war, and secondly to the intense competition with the Continent after peace was signed. Bamford, in his *Passages from the Life of a Radical*, gives a vivid account of the gradual nibbling at wages indulged in by unscrupulous masters, and, in a somewhat stilted dialogue between an old-fashioned merchant and a weaver, depicts the horror produced by such novel business methods. When the powerloom did come into effective

[1] *The Cotton Trade in England and on the Continent*, p. 46. London, 1895.

competition, the handloom weavers speedily sank into the lowest depths of misery, and had to obtain from a grudging poor-law the sum necessary to keep body and soul together over and above the wretched pittance of twopence-halfpenny a day, which was all they could obtain for their labour. For many years, indeed, the condition of all the textile workers went from bad to worse. To quote again from Dr. Schulze-Gaevernitz:[1] "A weaver did not get more than from five shillings to twelve shillings a week, and the average wages of all, spinners included, was not higher than ten shillings. Against this, having regard to prices in 1839, and to the indispensable minimum of clothing and nourishment, a weekly sum of 34s. 0½d. was necessary for a family of man, wife, and three children. If we assume that man and wife were employed at average wages in the cotton industry, they would have earned twenty shillings. There would therefore be a deficiency of fourteen shillings to be covered by under-nourishment, debt, or both." Elsewhere he gives the average yearly earnings per operative engaged in the cotton industry as £20: 18s. from 1819 to 1821, £19: 8s. from 1829 to 1831, and £24: 10s. from 1844 to 1846. It was not, indeed, till the advent of free trade that wages began to take a decided upward turn. Of course, it must be remembered that averages, especially when operatives of both sexes and all ages are included, are always fictitious, but they sufficiently indicate that throughout large sections of the cotton-workers the most abject poverty prevailed. It is no exaggeration to say that the whole burden and cost of the industrial revolution fell on the working classes.

The horrors of the poor man's life were not confined to his hours of toil in the factory; they pursued him into his squalid home. As we have already said, the factory system produced large towns. Small villages sprang up with lightning speed into great cities, once deserted spots became hives of crowded industry. Town government was non-

[1] *The Cotton Trade in England and on the Continent*, p. 30.

existent or corrupt, and houses were allowed to be built in close proximity to the factories, with the most thoroughgoing disregard of the elementary principles of hygiene. When the cholera came it visited every house in whole streets. The economic and social policy of the English Government seemed to be designedly directed towards forcing the people into the towns in swarms to compete with the starveling operatives already there. The breakdown of the yeoman class after the war started the exodus from the country, the decay of the cottage industries swept the handloom weavers in thousands to the towns. Most disastrous of all, the criminal destruction of Irish industries found its nemesis in the swarms of degraded labourers who crossed the narrow sea to drag their English fellows down to a condition of squalor which was unknown elsewhere in the civilised world, and struck terror into every thoughtful observer. They found the minimum of subsistence in the maximum of filth, and contaminated the whole mass of town workers. The indescribable details of the condition of large districts in every factory town are stored up in numerous State Reports, which have been digested to a manageable bulk by Frederick Engels in his *Condition of the Working Classes in England in* 1844—written, be it noted, nine years after the reform of the municipalities. This book may be described as almost an official summary, and the following passage, taken quite haphazard, must serve as an indication of its contents: "If we briefly formulate the result of our wanderings, we must admit that 350,000 working people of Manchester and its environs live, almost all of them, in wretched, damp, filthy cottages, that the streets which surround them are usually in the most miserable and filthy condition, laid out without the slightest reference to ventilation, with reference solely to the profit secured by the contractor. In a word, we must confess that in the working-men's dwellings of Manchester, no cleanliness, no convenience, and consequently no comfortable family life is possible; that in such dwellings only a physically

degenerate race, robbed of all humanity, degraded, reduced morally and physically to bestiality, could feel comfortable and at home" (p. 63).

Fifty years of the factory system, of the principles of free competition and cheap production, under such conditions and amidst such surroundings, had produced a generation of workers who, to a terrible degree, were physically degenerate and morally corrupt. The factory had its special diseases, almost every machine produced its special malformations; while the national death-rate was going down, the health of the operative classes was being sapped by chronic maladies. Dr. Gaskell strikingly contrasts the factory population with the extinct race of cottage-workers. The latter, he says, was "a robust and well-made man, reaching the average altitude of his race; clean-limbed, and with an arched instep; ruddy-complexioned; his general contour rounded from the deposit of adipose matter, and from muscular development, possessing considerable physical power, and delighting in athletic sports. Not called into active and permanent labour till his frame was to some extent set, and his bony system perfected, he ran no danger of any shrinking or yielding in these parts; neither were his animal passions pushed into premature activity by high atmospheric temperature, aided in its exciting operation by vicious example at home and abroad."[1] On the other hand, as for the factory operatives, "an uglier set of men and women, of boys and girls, taking them in the mass, it would be impossible to congregate in a smaller compass. Their complexion is sallow and pallid, with a peculiar flatness of feature caused by the want of a proper quantity of adipose substance to cushion out the cheeks. Their stature low, the average height of four hundred men, measured at different times and places, being five feet six inches. Their limbs slender, and playing badly and ungracefully. A very general bowing of the legs. Great numbers of girls and women walking lamely or awkwardly, with raised chests and

[1] *The Manufacturing Population of England* (1833), p. 159.

spinal flexures. Nearly all have flat feet, accompanied with a down-tread, differing very widely from the elasticity of action in the foot and ankle attendant upon perfect formation. Hair thin and straight, many of the men having but little beard, and that in patches of a few hairs, much resembling its growth among the red men of America. A spiritless and dejected air, a sprawling and wide action of the legs, and an appearance, taken as a whole, giving the world but 'little assurance of a man,' or if so, 'most sadly cheated of his fair proportions.'"[1]

The evidence given before Mr. Sadler's Committee in 1832, before the Factories' Inquiry Commission in 1833, and before the Children's Employment Commission in 1840-42, shows that over-toil, brutality, low wages, long hours, physical and moral degeneration, were not confined to a few factories or to one industry. Wherever the principle of competition found entrance, with its policy of reduction of cost, there the same evils were to be found. The "new" machine industries, the textile manufactures, bulked so large in the public eye, the whole growth of the evils was a matter of easy memory, and in consequence timid efforts were made by Parliament from time to time to introduce a new condition of things. But revenge having been exacted by the landowners from the manufacturers in 1847 for the introduction of free trade, the legislature wearied of well-doing, and twenty years had to elapse after the Report of 1843, and another Commission had to sit, before the wretched victims of the "free industries" were brought under the guardianship of the State. And yet all these years children in almost every industry had been going to work as early as seven or nine years of age, and in some at four or five. Frequently they were bound like slaves to a master who was their parents' creditor. The frames used in lace-making were worked the whole twenty-four hours by three men taking eight-hour spells, but the attendants

[1] *The Manufacturing Population of England*, pp. 161, 162.

had to work fourteen or sixteen hours. The children "lace-runners," who had to draw the threads, were usually four to seven years of age, but one commissioner actually found a child of two years old engaged on this work. The irregular hours which the attendants had to work, and the frequent employment at night, produced an unbridled immorality among the young. But though Nottingham and the lace-trade were notorious for vice, they were perhaps but a little more conspicuous than other towns and other trades. In any case, vicious practices could continue but a short time, for the delicate nature of the work induced blindness, and long hours in ill-ventilated rooms brought on consumption. Thus the factory system cured the moral evils it created.

The elder Sir Robert Peel was gravely disturbed by the horrors of child employment. He was a calico-printer, and the terrible disclosures made by the Commission in 1843—disclosures which forced immediate legislation, while workers in other trades had to wait—arouse grave thoughts as to the state of things when Sir Robert Peel first became a factory reformer in 1802. Children went to the works as early sometimes as three years of age, and the hours of all employees ran on to sixteen or eighteen. And so the same wearisome tale goes on, the same horrible tale of oppression and low wages and premature blindness, till the heart of the reader becomes callous, and ignorance and precocious vice seem but trifles compared with the intensity of daily repeated misery. Trade by trade tells the same tale—factory and workshop and garret alike. Robert Blincoe and Alton Locke could have compared notes without teaching each other much.

Yet there was a deeper hell than the factory, the hell of the mine. Few Blue-books have made so powerful an impression on all Europe as the First Report of the Children's Employment Commission. The evidence conjured up an indelible series of pictures: the little trapper of six or seven —nay, of three or four—years of age, sitting in the damp,

pitch-dark silence by his ventilation-door, listening for the rattle of a coal-carriage drawn by a child but a little older than himself; the drawer, who had to push the heavy carriage or drag it, harnessed by the middle, crawling sometimes on hands and knees along a passage only eighteen inches in height; the "coal-bearer" of six or seven, whose daily climb with half a hundred-weight of coal amounted to fourteen times the height of St. Paul's Cathedral; the unsexed woman—for women and girls and boys were employed indifferently—toiling on, half-naked or dressed only in a ragged shirt and tattered trousers, into the last hour of pregnancy; the hewer himself, on whom these women and children attended, working in many pits in complete nakedness. Brutality and immorality raged unrestrained in these subterranean infernos, and imminent violent death enveloped all in a tragic gloom. Explosions were frequent where human lives were held cheaper than ventilation shafts. Dust and respiration diseases worked havoc among frames already impaired by overwork in childhood and by insufficient food, and after the age of forty a miner generally became incapacitated. The mining population was degraded, but a lower level of degradation was reached by the mine-owners, who, in the year 1840 of an "alleged" Christian era, defended the early employment of children on the ground that colliers must begin work while the backbone was still flexible enough to accommodate itself to the cramped conditions of the mine. This was the high-water mark of capitalist callousness, and from that year the tide of individualism began to recede from our legislative chambers.

CHAPTER IV

THE REVOLUTIONARY ERA

THE advent of Competition as a theory of trade was made possible by the separation of the workman from the means of production, a change which began before the machinery period in certain occupations where the cost of the tools and raw materials and the intricacy of commercial undertakings made it impossible for the workers to be their own employers. We accordingly find a contemporaneous development of the germs of that opposing principle which we have called the principle of Association. Throughout the first half of the eighteenth century constant mention is made of the combination of the operatives in the more highly organised trades, such as the West of England wool-workers, the wool-combers, the calico-printers, the stocking-frame weavers, the hatters, the tailors, for the purpose of improving their conditions of labour. When, towards the end of the century, the factory system began to spread, the new class of operatives followed in the footsteps of the old handicraftsmen. These old trade unionists, however, had neither a definite form of organisation nor any clear ideas of the way in which they could accommodate themselves to the conquering forces of machine industry. Seeing the customary defences of their standard of life destroyed by the chicaneries of lawyers and the hostility of Parliament, they could yet perceive nothing better than the limitation of

apprentices and the regulation of wages by law. To the securing of these two aims they bent all their energies, only to observe that every day the legislature, though at first with some hesitation, became more and more enslaved to the *laissez-faire* principles of industry. As the factory system grew, so did trade unionism, and the masters retaliated by striking at the right of combination. The claim of the workers to associate together for the protection of their common interests was, indeed, too novel to win for itself much respect. So long as the law professed to be the guardian of the labourer, combination was obviously excluded, and the masters, while abolishing or evading the protective statutes, adroitly utilised the prejudice against workmen's unions. The axioms of the Smithian political philosophy, rapidly springing into favour, seemed also to dictate the prohibition of any intervention between buyer and seller in the market for labour. Lastly, the growing turbulence of the factory classes terrified the ruling caste. It was true that the working men held themselves aloof from politics, except when in patriotic fervour the mob sacked the house of some obnoxious reformer like Priestley; and that the demand for legislative change did not go below the shop-keeping class. Nevertheless, the French Revolution had aroused a mania of preternatural suspicion, which was intensified into hatred by such sayings as that of Fox, that "the triumph of the French Government over the English does, in fact, afford me a degree of pleasure which it is very difficult to disguise," and by the pungent philippics of Paine. When Crown and Church and Constitution alike seemed threatened by extinction in a deluge of blood, it was imperative that every form of insubordination should be crushed before it could develop into revolt. All these motives conspired to pass the Combination Laws of 1799 and 1800, in which several statutes relating to particular trades were extended to form one comprehensive measure of repression. In brief, these infamous laws prohibited all combination

among the workers, whether for securing an advance in wages or a reduction in hours, or any kind of control over the conditions of employment.

The present century thus opened with the outlawry of the working classes. They were tyrannised over by privilege enthroned in Parliament, their homes were devastated by their masters' greed of gain. Nowhere could they look for help; the humanitarian spirit was as yet hardly awakened, and the wise men were immersed in an arid philosophy. The natural result was that the first fifty years of this century were dominated by a spirit of revolution. The congregation of men into large cities was favourable to the spread of new ideas, and many and novel were the notions which lived their little day before at the forge of hard experience men were able to smithy out the proper weapons with which to curb the destructive workings of the individualist philosophy. It was the seed-time of ideas, in which were sown not only the germs of movements which to-day are flourishing, but also seeds of lesser worth, whose counterparts we shall make the acquaintance of again in dealing with recent times. Remote as much of that history may seem from the period of the trust and the modern trade union, it nevertheless bears in the closest possible way upon recent developments. Only by tracing it from its origin can we fully comprehend the present attitude of the State to industry.

The first period was literally one of suppressed civil war. The law did not prevent combination, but only drove it below the surface. In many cases the unions continued openly with the connivance of the masters, until the law stepped in despite the protests of both sides. Generally, however, the employers utilised the statutes for the prevention of strikes and other overt action on the part of the men, and some hundreds of victims expiated in prison their devotion to their fellows. To legal violence the workmen replied with private violence, and Mrs. Gaskell in *Mary Barton*

gives a biassed but not untrue representation of the state or feeling in working-class circles. Riots in some places scarcely differed from armed insurrection, and Captain Swing in the country and the Luddites in the towns kept the Government in a mingled condition of terror and fury. The employers had unrestrained power to do as they liked with their own, and the same bloody effects ensued as were to follow on a later day from a similar exercise of that power at Homestead. A further complication was added by the entrance of the working classes into the political field as recruits to the Radical party, and in revenge the "Savage Parliament" of 1819 by the infamous Six Acts almost abolished civil liberty. Yet the Radicals were the only intellectual force of the time; and when their greatest politician, Francis Place, perceived alike the failure of the Combination Laws and the persecution which followed from them, the first ray of a brighter dawn shone on the workers. Mr. Graham Wallas, in his *Life of Francis Place*, has told of the inimitable tactics by which "the Radical tailor of Charing Cross" won from an unconscious House of Commons the first Workers' Charter in 1824, and of the even more skilful manner in which in the following year he averted most of their attempts to undo what they had done. The Act passed in 1825, however, restored only a partial freedom to the workmen. In its preamble it averred that "such combinations are injurious to trade and commerce, dangerous to the tranquillity of the country, and especially prejudicial to the interests of all who are concerned in them," but nevertheless it enacted that combination to secure a rise in wages or an alteration in hours was not illegal. On the other hand, while trade unions were legalised, almost every form of action rendered their members liable to prosecution for "molesting" or "obstructing" employers or non-unionists. But though it was defective, the workmen had at last a weapon, and they were not slow to test its efficiency. Trade unions sprang up all over the

country, trade newspapers were started, there was a general though unconcerted attempt to force an increase of wages. Alas! the year which opened so brightly closed in ruin. A financial panic enveloped the country in widespread disaster, and down till 1829 distress and depression prevailed throughout the manufacturing districts. In the universal collapse the newly-started unions perished, and the workers became profoundly convinced of the uselessness of sectional combination.

Throughout the next twenty years four great parties of reformers contended for the foremost place on the public stage; and though from their opinions they might have been expected to work together, each section viewed the others with suspicion, if not with intense hostility. This period indeed resembles "that last great battle by the western sea" where "friend slew friend, not knowing whom he slew." With the Anti-Corn Law Leaguers we have already dealt; the Factory Act movement will require a chapter to itself; here we shall treat of Owenism and Chartism. This separate rather than chronological treatment of these four movements is a necessity imposed upon us in order to make the narrative more clear. Here once for all the fact must be insisted on that the two counteractive principles of Competition and Association were working simultaneously, and that under the common claim of benefiting the working man were proceeding movements, some on the right but many on the wrong lines of development.

No man in the present century has made a deeper impression on working-class thought than Robert Owen, or contributed more, directly and indirectly, to the contents of the Statute-book. In every respect his views were in vehement contradiction to the accepted political and economic philosophy. Man, said the individualists, was a being moved solely by self-interest, fully equipped to know wherein his best advantage lay, and no one should interfere with him in

working out his own salvation. Man, said Owen, was a creature of his environment, and it was the duty of every one, whether employer or Government, who stood in authority over another, so to manipulate social institutions as to ensure the perfecting of human character. Wealth, he held, was a social product, and ought to be devoted to the furtherance of human happiness. The great obstacle to this aim was the existence of profit upon cost, an anti-social institution, for it could only exist when the supply was equal to or less than the demand, whereas the good of the community required that the supply should always be greater than the demand. Profit should therefore be abolished, and after due provision was made for the maintenance of fixed capital the balance should be distributed among the producers according to the need of each. Borrowing from Ricardo the tenet that labour is the sole source of value, Owen held that exchange of products should be governed by the labour-cost of each, price being reckoned in terms of the number of hours of labour required for production. With the elimination of the private profit-maker interest would of course disappear. The factory system had socialised production, had substituted for the individualist producer a body of men, women, and children working co-operatively, but had left the product of labour an object of individualist appropriation. This arrested development he proposed to complete. Communities of from three hundred to two thousand individuals were to be formed to own and cultivate the land in common, and to undertake such further production as was necessary for the satisfaction of their own wants or for exchange with other communities. The proper accommodation of supply to demand was to be the task of a new social science, "a science which should foretell the functions and requirements of society, with a view to the development and gratification of the individual in the same manner that chemistry and physics had discovered the laws of matter and motion, and had succeeded in analysing, reconstituting, isolating, and

combining, according to the deliberate purposes of man."[1] The desire for profit would be replaced as an impulse to the production of wealth by the civic enthusiasm of a body of co-operators, whose efficiency as producers would be vastly superior to that of workers crushed between the upper millstone of competition and the nether millstone of privilege.

In some respects Owen's scheme resembled the industrial organisation of Utopia, and his forecast of the future was no less roseate than Sir Thomas More's. He set forth his views in a *Report to the County of Lanark of a Plan for relieving Public Distress* (1820), from which Mr. B. Jones makes some interesting extracts in his *Co-operative Production* (vol. i. ch. v.):—"Each association, generally speaking, should create for itself a full supply of the usual necessaries, conveniences, and comforts of life. . . . All will take their turn at *some one or more* of the occupations in this department (workshops), aided by every improvement that science can afford, alternately with employment in agriculture and gardening. It has been a popular opinion to recommend a minute division of labour, and a division of interests. It will presently appear, however, that this minute division of labour, and division of interests, are only other terms for poverty, ignorance, waste of every kind, universal opposition throughout society, crime, misery, and great bodily and mental imbecility. . . . Under the proposed system, the facilities of production, the absence of all the counteracting circumstances which so abundantly exist in common society, with the saving of time and waste in all the domestic arrangements, will secure, their circumstances being equal, *a much larger amount of wealth, at a greatly reduced expenditure.* . . . These new associations can scarcely be formed before it will be discovered that by the most simple and easy regulations all the natural wants of human nature may be abundantly supplied, and the principle of selfishness (in the sense in which that term is here used)

[1] *The Co-operative Movement*, B. Potter, p. 24. Swan Sonnenschein and Co.

will cease to exist for want of an adequate motive to produce it. It will be quite evident to all that wealth of that kind which alone will be held in any estimation among them may be so easily created to exceed all their wants that every desire for individual accumulation will be extinguished. . . . A principle of equity and justice, of openness and fairness, will influence the whole proceedings of these societies. There will consequently be no difficulty whatever in the exchange of the products of labour, mental or manual, among themselves. The amount of labour in all products, calculated on the present principle of estimating the prime cost of commodities, will be readily ascertained, and the exchange made accordingly. . . . As the easy, regular, healthy, rational employment of the individuals forming the societies will create a very large surplus of their own products beyond what they will have any desire to consume, each may be freely permitted to receive from the general store of the community whatever they may require. This, in practice, will prove to be the greatest economy, and will at once remove all those preconceived insurmountable difficulties which now haunt the mind of those who have been trained in common society." This touching faith in the easy and speedy victory of justice formed no small part of the attractiveness of Owen's doctrines for the toil-worn multitudes.

Other men there were whose labours helped to plough the ground for Owen. William Cobbett had little in common with the "father of English Socialism," but his whole-souled denunciations of the governing majority and the propertied classes kept active the sense of injustice and prepared the people to receive revolutionary doctrines. The "evangelist of the populace," as Southey called him, had a fine taste in invective, and his vituperative imagination had no lack of subjects. More important was a small group of men who have sunk into most undeserved oblivion.[1] Of these the chief were William

[1] See hereon *The Right to the Whole Produce of Labour*, by Dr. Anton Menger, with preface by Prof. Foxwell. London, 1899. Macmillan and Co.

Thompson, colleague of Owen, and author of *An Inquiry into the Principles of the Distribution of Wealth most Conducive to Human Happiness* (1824); John Gray, who published a *Lecture on Human Happiness* in 1825; Thomas Hodgskin, who wrote *Labour Defended against the Claims of Capital* (1825) and *The Natural and Artificial Right of Property Contrasted* (1832); and J. F. Bray, who issued in 1839 *Labour's Wrongs and Labour's Remedy*, long a classic. The chief feature common to these writers was, that they drew their inspiration direct from Ricardo, the prince of individualists. "By a singular irony of fate," says Professor Foxwell, "it happened that Ricardo by this imperfect presentation of economic doctrine did more than any intentionally socialist writer to sap the foundations of that form of society which he was trying to explain, and which he believed to be the typical and natural, if not, indeed, the ideal social state."[1] Taking up the Ricardian doctrine that labour is the source and measure of all value, they drew the natural deduction that the whole product of labour belonged of right to the producers, and that rent and interest were a tax upon the industrious for the benefit of the idle. They anticipated the leading points of Marx's theory of value, but the fortunate neglect of the public prevented them from creating so great an obstacle to correct economic thought. Although they had not much influence upon Owen, their teachings were eagerly welcomed by his followers, and their practical proposals were very much alike to the constructive efforts of these early co-operators.

Owen did not come forward as a visionary, but as a practical manufacturer who could show from his own experience that good wages, healthy homes, short hours, and an ardent care for the minds and morals of his employees were not at all incompatible with high profits and the accumulation of wealth. Nor was he at first a revolutionary.

[1] *The Right to the Whole Produce of Labour*, p. xli.

He tried to persuade his fellow-manufactures to devote the same attention to their "living machines" as to their inanimate instruments, and failed; then he attempted to induce the Government to abolish the horrors of child labour, and failed; then he sought from his wealthy and titled admirers funds to start a co-operative colony, and failed. He wished to found a "community" on a grand scale with a capital of £240,000, but he never came within any distance of this sum. It is worth noting, however, that two colonies were established and almost succeeded; but the Orbiston experiment of 1826 (near Hamilton in Lanark) came to an end on the death of its pious founder, Abram Combe, and the trial of agricultural co-operation at Ralahine in Clare from 1830 to 1834 was frustrated by a change of landlord. At last Owen appealed to the workers, and they "heard him gladly." "I must confess, also," says William Lovett,[1] pathetically, "that I was one of those who, at one time, was favourably impressed with many of Mr. Owen's views, and, more especially, with those of a *community of property*. This notion has a peculiar attraction for the plodding, toiling, ill-remunerated sons and daughters of labour. The idea of all the powers of machinery, of all the arts and inventions of men, being applied for the benefit of all in common, to the lightening of their toil and the increase of their comforts, is one of the most captivating to those who accept the idea without investigation. The prospect of having spacious halls, gardens, libraries and museums at their command; of having light alternate labour in field or factory; of seeing their children educated, provided and cared for at the public expense; of having no fear or care of poverty themselves; nor for wife, children, or friends they might leave behind them, is one the most cheering and consolatory to an enthusiastic mind." Robert Owen came preaching the gospel of brotherly love, his rhapsodies represented to the

[1] *The Life and Struggles of William Lovett*, pp. 43, 44.

labouring classes everything that was wanting in their own lives, and his adherents were soon numbered in thousands.

Probably he himself would have preferred to postpone the realisation of his theories till he had gathered more strength, but the enthusiasm of his followers would not be denied. From 1828 onwards, co-operative associations were established in different parts of the country. In the First London Co-operative Trading Association Lovett was storekeeper for some time, and in his *Life*[1] he gives a succinct account of their objects. "The members of those societies," he says, "subscribed a small weekly sum for the raising of a common fund, with which they opened a general store, containing such articles of food, clothing, books, etc., as were most in request among working men; the profits of which were added to the common stock. As their funds increased, some of them employed their members; such as shoemakers, tailors, and other domestic trades; paying them journeymen's wages, and adding the profits to their funds. Many of them were also enabled by these means to raise sufficient capital to commence manufactures on a small scale; such as broadcloths, silk, linen and worsted goods, shoes, hats, cutlery, furniture, etc. . . . I was induced to believe that the gradual accumulation of capital by these means would enable the working classes to form themselves into joint-stock associations or labour, by which (with industry, skill, and knowledge) they might ultimately have the trade, manufactures, and commerce of the country in their own hands. But I failed to perceive that the great majority of them lacked the self-sacrifices and economy necessary for procuring capital, the discrimination to place the right men in the right position for managing, the plodding industry, skill, and knowledge necessary for successful management, the moral disposition to labour earnestly for the general good, and the brotherly fellowship and confidence in one another for making their association

[1] Pp. 40, 41.

effective." To provide a market for the co-operative goods thus manufactured, Owen opened in 1832 his Labour Exchange. Every member could there deposit goods for sale, receiving for them labour-notes up to their estimated value, based upon the time which an ordinary workman would in the average take to produce them, one hour's labour being reckoned at sixpence. In 1830 there were nearly three hundred co-operative societies, with over 20,000 members,[1] and numerous exchange bazaars were soon established. A deluge of socialist literature descended upon the country, and an army of ardent missionaries spread the new gospel everywhere. From 1830 to 1835 there were held seven Co-operative Congresses, and between 1835 and 1846 fourteen Socialist Congresses.

Meanwhile, Owen was pushing the propaganda of his wider ideals, modifying his plan of communities to suit the trade unions to whom he appealed. Grafting the joint-stock principle upon the unions, he proposed to create so many "national companies" of the united workers in each trade. Having lived through the period of the great inventions and seen the enormous increase of wealth which they produced, he seems to have regarded the appropriation of existing capital as a trifle not worth the consideration of his followers. "The real difficulty," he said,[2] "against which society has to contend is, to discover the means by which an excess of wealth, now so easily produced, can be prevented from injuring all classes, who experience from it precisely the same effects which have been heretofore engendered by poverty." Each trade union was to own all its instruments of production, and was to carry on its particular species of manufacture through a "Grand Lodge"

[1] *The History of Co-operation in England*, G. J. Holyoake, vol. i. pp. 152, 153. Kegan Paul, 1875.

[2] An Address to the Agriculturists, Mechanics, and Manufacturers of Great Britain, September 1827. Quoted by Professor Foxwell in *The Right to the Whole Produce of Labour*, p. lxxxv. note.

controlling the several branches. Much the same plan was propounded in greater detail by J. F. Bray in his *Labour's Wrongs*, in 1839. Bray proposed to begin with the two millions of men organised into trade unions and friendly societies, who were to obtain their capital by issuing paper money against their future production. Ultimately the whole working class was to be organised into companies of from a hundred to a thousand men, each working at a single trade and possessing its own capital. Wages were to be based on the labour-value of their work, and production was to be regulated by a series of administrative boards. Here we find Bray consciously basing his system upon the economic doctrine of the labour-source of value, which Owen only unconsciously adopted.

It is easy now to point out the defects of Owen's plans. They were the first crude suggestions of a mind untrained in analysis and revolted by the destructive effects of capitalism, and as such they appealed with overwhelming force to the masses of sufferers. Early failure did not destroy their attractiveness. Their economic basis is still the foundation of the creed to which the German social-democratic party pins its faith; their practical side has reappeared incessantly in trade-union proposals throughout the century, and is still implicit in the propaganda of labour copartnership. The essential error of Ricardo in taking labour as the source and measure of value has been completely exposed by the followers of Jevons and Böhm-Bawerke, and the elaborate metaphysical structure which Marx erected on it has been effectively demolished by Böhm-Bawerke himself in his little book, *Karl Marx and the Close of his System*. The part played by the idea of utility as the basis of value, the function of the market in providing a measure of value by bringing demand into relation with supply, the law of economic rent which in one form or another interfuses all species of production—these notions were unknown or imperfectly comprehended until very recent times. With their adoption has come a

transference of economic importance from production to consumption, from wealth to living, and the old superficiality which confined reform to methods of production and solved all difficulties by a return to Arcadian simplicity of existence is no longer possible. The asceticism which went along with mediæval communism is a thing of the dead past. Founded upon error, Owen's theories were foredoomed to failure, but his ignorance of the laws of human development was bound to bring disappointment upon him however correct his economics had been. He justly laid stress on the influence of environment on character, but he seemed, as it were, to transfer his opponents' idea of the perfect self-sufficing economic man to the new-created circumstances, and to expect an automatic and speedy perfecting of human nature by reformed institutions. He did not know what science has since taught us, that only by small increments of change is improvement effected. He thought that if man could not discern his true interests at present, he would unquestionably do so in the new moral world which a few years, or mayhap months, would call into existence. For it was no mere Pisgah-view which Owen had of the promised land: he himself was to lead the famished hosts out of the desert and preside over the equitable distribution of the milk and the honey. We find the same confident expectation that the alteration of the environment will at once introduce the millennium preached vigorously by anarchist-communists to-day. Equally fatal errors made his practical proposals a snare for the enthusiast. The attempt to reduce the selling price of each article to its cost price of production involved the early stores in endless intricacies and did no little to bring about their ruin. Labour-time brought the bazaars to the alternative of going into bankruptcy or of acting as a kind of benevolent pawnshop. The trade-union joint-stock company never got itself born at all, but neither Owen nor Bray nor Thompson nor any of their followers ever worked out the idea to its logical conclusion. Yet it is now plain

that such companies in no way got rid of competition, but in reality provided for the competition of huge masses of capital on a different plane. They did not see that the producers of goods which can be substituted for each other —the lamp-makers and the gas-workers, for example—compete in a body against each other as truly as any two manufacturers of the same goods; nor did the killing out of the handloom weavers by the powerloom convey to them any intimation that the same process might be repeated in every other trade in the future. Nor did they see that any trade union which secured a monopoly would hold the community of consumers as completely in its power as any body of private capitalists could, and that it would be subject to the same temptations of anti-social exploitation; that, for example, it would probably become a close corporation, reserving its benefits to existing shareholders and shutting its doors against new generations of workers. Some years later the fate of the "Oldham co-ops." was to show that this latter was no empty fear.

The means whereby Owen proposed to achieve his revolution was, in the first place, by banding the workers together into a universal trades union, ignoring all sectional distinctions. The idea was probably borrowed from earlier associations in the cotton and building trades in 1830 and in 1832, and in January 1834 it was actually incorporated in the Grand National Consolidated Trades Union, which soon had over 500,000 members. Its principal object was, says Lovett,[1] who seems to have been out of touch by this time with Owen's wider aims, "to obtain a fair standard of wages by combination and strikes. In addition to which they had copied a great number of the forms, ceremonies, signs and fooleries of freemasonry, and I believe thought more of them, at that time, than of just principles." The new movement aroused widespread anger and consternation among employers. "Depend upon it," wrote Cobden to his brother[2] (16th

[1] *Life*, p. 87. [2] *Life of Richard Cobden*, John Morley, vol. i. p. 299 (1896).

August 1842), "nothing can be got by fraternising with trade unions. They are founded upon principles of brutal tyranny and monopoly. I would rather live under a Dey of Algiers than a Trades Committee." And this only faintly expressed the state of mind common among manufacturers eight years earlier. The working classes were seething in the intellectual ferment which the association of men into large cities always produces. Intoxicated with the new wine of the Owenite theories, and persuaded that they were being robbed of the wealth which they had created, their demands on their employers were couched in exaggerated and peremptory terms. The masters retaliated with intolerance and tyranny. The Government, already alarmed by the revival of the spirit of association, had in 1830 appointed a Commission on the Combination Laws, but they did not dare to adopt the heroic proposals of Nassau Senior for the confiscation of trade-union funds. They came to the rescue of the employers in a manner no less effective, by enforcing the common law against illegal combinations, by torturing the prohibition of "molestation" into interference with all trade union action, and by reviving fusty statutes of 1797 and 1819 against unlawful oaths. The conviction of six Dorchester labourers in 1834 for administering an alleged unlawful oath as part of the initiatory ceremonies of the "Grand National," and their sentence to seven years' transportation, were a public notification that the working classes had no rights in the eyes of the law, but were to be kept in a state of industrial servitude and political subservience. To the argument of the strike the masters replied with the "presentation of the document," requiring an individual promise to abandon the union as a condition of further employment. Repeated strikes speedily exhausted the scanty funds of the Grand National Union, and the vigorous prosecution of the masters' policy achieved the complete defeat of the organisation which had been so much dreaded and from which so much had been hoped. In

August 1834 it was transformed into the British and Foreign Consolidated Association of Industry, Humanity, and Knowledge, and gradually faded away into nothingness. Co-operation passed into a vague socialism associated with all kinds of crankiness and riddled with religious squabbles. In 1838 there seem to have been only 2000 subscribers to the official paper, *The New Moral World*, but nevertheless the community idea was revived, and, after a disastrous experience at Manea Fen near Wisbeach in that same year with a dishonest proprietor, the Queenwood Community was established at Tytherly in Hants. The colony kept in existence from 1841 to 1846, but an unfavourable site, insufficiency of capital, and, above all, dissensions among the members—the usual defects of "communities"—proved too much for the most enthusiastic believers in the millennium. The high aspirations of the Owenite period continued to animate the best of the Chartist leaders, but trade-union enthusiasm dwindled to casual attempts at self-preservation, and a spirit of sullen, half-suppressed revolt which recalled the days before the repeal of the combination laws. So the time went by until the sentence of seven years' transportation inflicted in 1838 on five Glasgow cotton-spinners for murder and conspiracy set the industrial world ablaze. "The evidence given in court," say Mr. and Mrs. Webb,[1] "leaves no reasonable doubt that the Cotton-spinners' Union in its corporate capacity had initiated a reign of terror, and that some of the incriminated members had been personally guilty not of instigation alone, but of actual violence, if not of murder." A Select Committee of the House of Commons was appointed to examine into the working of trade unions, and issued two volumes of evidence, but made no report. On the whole, the unions were exonerated from the charges of habitual violence or criminality, and where outrages were proved they were the answer of outlawed men to exceptional tyranny on the part of the

[1] *History of Trade Unionism*, p. 154. Longmans and Co., 1894.

employers. There is, indeed, no lesson more constantly enforced by the early history of the labour movement than the trite one that violence begets violence. Force has never proved a remedy in industrial disputes, and the attempt to crush combinations has only been productive of illegality.

The recurrence of another period of bad trade from 1836 to 1842 reduced most of the trade unions to bankruptcy, and those which contrived to maintain their existence confined their activity to the support of their unemployed members. The centre of gravity of the labour movement shifted from the unions to the Chartist agitation. Sectional and national trade unionism had failed, Owenite co-operation and socialism had broken down; it remained to try political action. This is not the place to estimate the constitutional aspects of the Chartist movement, but it had an economic side which stands in close relation to the efforts of the working classes to break down the power of the capitalists by revolutionary methods. At first the Radical party was in the main a middle-class party, reinforced by a few earnest working men. The mob which sacked Dr. Priestley's house in 1791 was Tory and patriotic, but the propaganda of demagogues like Hunt and Cobbett, aided by the repressive policy of the Government, awoke the ardour for political reform among the masses. What may be called the second Reform movement, of the inner side of which Samuel Bamford has left an interesting account, culminated in the bloody day of Peterloo. Meanwhile, Bentham, Grote, and the elder Mill brought the intellectual Radicals into affiliation with economic individualism. As the third period of reform developed, the workers, under the skilful leadership of Place, formed the huge dim army with whose unknown terrors the Whig chiefs drove the Lords from their last stronghold. The labouring classes, however, had not been reformers merely for love of the ten-pound householder; they expected for their share universal suffrage and wholesale redress of their grievances. Instead they got the New

Poor Law of 1834, which effected a serious reduction in the tribute paid by the rich to the poor. The old system of relief had been an attempt, though a clumsy and wasteful one, to remedy the inequalities of condition created by society, and its abolition was fiercely resented. Coming on the top of the Owenite failures, the new law seemed to thrust the workers deeper into the mire of poverty, and together with the taxes on food it formed for many years the centre of working-class denunciation. From this time the political movements of the working and middle classes are separate.

The first sign of the new arrangement of interests was the London Working Men's Association, founded in 1836 by Lovett, Vincent, Hetherington, and others, and confined in its membership "as far as practicable to the working classes." Its general objects were "to draw into one bond of unity the intelligent and influential portion of the working classes in town and country," and "to seek by every legal means to place all classes of society in possession of their equal political and social rights." More particularly it aimed at a cheap press, popular education, the collection of labour statistics, and the creation of a public opinion which would lead to a peaceful improvement of the condition of the masses. The addresses which it issued on every public occasion showed that it was no mere appendage to the Parliamentary Radicals, but that it aimed at widespread revolutionary change in the economic as well as in the political sphere. "When we contend," ran the first address,[1] "for an equality of political rights, it is not in order to lop off an unjust tax or useless pension, or to get a transfer of wealth, power, or influence, for a party; but to be able to probe our social evils to their source, and to apply effective remedies to prevent, instead of unjust laws to punish." "We perceive the injustice practised on us, and feel the slavery from which we have not yet power to free ourselves.

[1] Lovett, *Life*, p. 95.

Our emancipation, however, will depend on the extent of this knowledge among the working classes of all countries, on its salutary effects in causing us to perceive our real position in society—in causing us to feel that we, being the producers of wealth, have the first claim to its enjoyment" (Address to the Working Classes of Belgium, 1836).[1] "Why," asked the members in an Address to the Citizens of the American Republic,[2] "has so much of your fertile country been parcelled out between swindling bankers and grinding capitalists, who seek to establish (as in our own country) a monopoly in that land which nature bestowed in common to all her children? Why have so many of your cities, towns, railroads, canals, and manufactories, become the monopolised property of those 'who toil not, neither do they spin'?—while you, who raised them by your labours, are still in the position of begging leave to erect others, and to establish for them similar monopolies?" In the fluent indignation of these phrases may be traced the hand of the old disciples of Owen, but experience had somewhat tamed their enthusiasm for utopias, and the practical object of destroying the "great and pernicious monopoly—Exclusive Legislation"—brought them into temporary alliance with the Radicals. From this alliance sprang the People's Charter, drafted in 1837, with its famous Six Points, which were to form the rallying-cry of political democracy for half a century.

In their policy the Chartists anticipated the declaration of Marx that the working classes should first acquire political power and then revolutionise society—which is still the official programme of the German social democrats. They ignored the great fact that at that time certainly the working classes had not got the ability to manage the affairs of the nation. But, like Owen, they had no clear idea what would happen on the morning of the revolution, they trusted to human nature freed from the trammels of the old society to

[1] Lovett, *Life*, p. 98. [2] *Op. cit.* pp. 130, 131.

pull them through. It was the "perfect economic man" idea over again; indeed, the only essential philosophic difference between individualists and socialists of that day was that the former believed man was then fully capable of determining the management of his own affairs, whereas the latter held that he only required to be relieved from certain unjust institutions to restore him to his full capacity.

After the "finality" declaration of Lord John Russell, the Chartist movement under the eruptive force of its basic economic notions naturally tended to split into two sections —the moral force and the physical force Chartists—and consequently to produce those mutual jealousies among the leaders which ultimately proved its ruin. It is not ours to track these painful quarrels, nor to relate the destructive effect of that fatal gift of Feargus O'Connor which O'Connell made to the British working classes. The physical force party gained the upper hand, and wrecked the whole movement with their abortive riot-revolts of 1839-40, which only led to the imprisonment of the best of the reformers. It is, however, noteworthy that although thousands of trade unionists were Chartists, even physical force Chartists, the trade unions themselves refrained from that official co-operation which they had accorded to the Owenite movement, and by their abstention killed the proposal for a "sacred month" or universal strike. The Chartist movement gradually swept into its ranks all the extremists who were advocating the cause of the workers, and the chief hot gospeller next to O'Connor was Rayner Stephens of factory agitation fame. "Chartism," he said,[1] "is no mere political question as to whether you get the Franchise; Chartism is a question of knives and forks; the Charter means good dwellings, good food and drink, good incomes and short hours." So profoundly were the working classes convinced that the whole state of society was utterly rotten and must be overthrown before any improvement could be expected,

[1] Quoted by Brentano, *Die Englische Chartisten Bewegung*, p. 440.

that they were indifferent, when not hostile, to the Anti-Corn Law agitation, which was distinctly a "question of knives and forks." On the other hand, the land nationalisation schemes and currency proposals of Bronterre O'Brien were welcomed with such enthusiasm that O'Connor, jealous for supremacy, started a National Land Company which still stinks in the nostrils of Radicals. There were 70,000 members, who subscribed altogether £112,000. The cost of land, the terrible expensiveness of the management, and a ridiculous system of balloting for plots, which of course gave allotments to the unfit, brought this megalomaniac scheme to ruin and the inquisitive notice of a parliamentary committee. A fresh outburst of strikes and petitions in 1842 was really the last effective effort of the robust Chartist spirit. For some years more the agitation continued with varying fortune according to the state of trade; but although, owing to the taxes on food, popular unrest continued at such a height that acute observers like Frederick Engels expected a violent revolution, Chartism occupied a position of decreasing importance in the public mind. The French Revolution of 1848 galvanised the dying movement into life again, and once more awakened the fears of the governing classes; but the fiasco of Kennington Common and the farce of the Monster Petition were the death-blows to the incipient revolt. The end of the first half of the nineteenth century saw the disappearance of the insurrectionary spirit. This was caused not merely by disgust at failure and quack-leaders, but by the victory of middle-class ideas. The working classes had adopted the principles of competition. Partly through the influence of protective laws, partly owing to the growth of humanity among the manufacturers, the worst horrors of the factory system had passed away, and the new generation of workmen had lost the memory of the old tyranny which had crushed their fathers. The intellectual leaders of the middle classes had deliberately set about the conversion of the workers, and the Society for the Diffusion

of Useful Knowledge was founded in 1825 by Brougham, Mackintosh, Lord John Russell, and other Whig chiefs. The establishment of a cheap press—largely owing to the efforts of working-men reformers—aided the same object, and the *Penny Magazine* and the *Penny Cyclopædia* placed the treasures of science within the reach of all ranks. Mechanics' institutes sprang up everywhere, and a veritable plague of lectures made Britain resemble the island of Vraibleusia, which Lord Beaconsfield ridiculed in his brilliant satire *Popanilla*. Francis Place was one of the interpreters of the prophet Bentham to the people, and the association of men like Hume, Roebuck, and Bowring with the Chartist leaders contributed to the spread of utilitarian doctrines. The growth of the new phraseology may be traced in Lovett's manifestoes, and the enthusiasm of the working-men leaders for education facilitated their capture by men whose motives could not be questioned, even if their principles were destructive of many of the higher idealisms. Above all, the tremendous activity of the Anti-Corn Law League orators familiarised all sections of the community with the ideas of free enterprise and unrestricted competition, and the visible benefits of each extension of free-trade doctrines proved an unanswerable argument for their creed. The working classes came down out of the clouds and began to attend to business. From that moment commenced the success of their trade unions and co-operative societies. Yet the change was not all gain. The high inspiration of Owen and Thompson, of Lovett and Vincent, perished in the keen air of competition, and was succeeded by a certain hard and narrow selfishness which Dickens early perceived and somewhat clumsily denounced in *Hard Times*. It was left to a later time to attempt the reconciliation of idealist aims and business methods.

The century opened with the war between the ideas of competition and association; the half-century closed with the victory of competition. Yet these years were not all loss.

Insurrection is always the first crude method by which the oppressed try to shake off tyranny whether in the realm of ideas or in the domain of things, and it is long before the conviction takes root that violence is a weapon only appropriate to an early stage of society. The working classes of Great Britain struggled through this period in those fifty years, and learned their lesson with the utmost thoroughness. The same crude ideas, the same raw proposals, which played so prominent a part in the propaganda of Owenism and Chartism, continually reappear, but never again do they seize hold of a whole class as with madness. On the other hand, the essential truths which lay at the basis of these two great movements never, even in the most selfish periods of working-class history, ceased to act as a purifying and inspiring force. The old language passed away, and the workers seemed to speak the tongue and think the thoughts of their masters; but deep down the old ideas were working, themselves undergoing a subtle transmutation to fit them for reappearance under the changed circumstances of a later time. Meanwhile, although voluntary combinations were meeting with constant and seemingly inevitable defeat, the principle of association was winning notable victories in another field.

CHAPTER V

STATE INTERFERENCE

THE first agent to stir up the public conscience regarding the condition of factories and the state of towns was nothing higher than the instinct of self-preservation. Feelings of humanity, sentiments of the dignity of labour, came into action only at a later period. Cholera was the first missionary of sanitation, fever the first preacher of factory laws; and in examining the lessons taught by them men discovered the causes of the dangers which they feared and the existence of other evils of which they had not dreamed. The dawn of factory legislation and State interference came with the constitution of a voluntary committee called the Manchester Board of Health, in 1796, in the very heart of the textile districts. The conclusions at which that body arrived are of the highest importance as evidence of the conditions of labour and of the motives animating the first reformers. They were as follows:—"1st, It appears that the children and others, who work in the large cotton factories, are peculiarly disposed to be affected by the contagion of fever, and that when the infection is received, it is rapidly propagated, not only amongst those who are crowded together in the same apartments, but in the families and neighbourhoods to which they belong. 2nd, The large factories are generally injurious to the constitution of those employed in them, even when no particular diseases prevail, from the close

confinement which is enjoined, from the debilitating effects of hot or impure air, and from the want of active exercises, which nature points out as essential in childhood and youth to invigorate the system, and to fit our species for the duties of manhood. 3rd, The untimely labour of the night, and the protracted labour of the day, with respect to children, not only tends to diminish future expectations as to the general sum of life and industry, by impairing the strength and destroying the vital stamina of the rising generation, but it too often gives encouragement to idleness, extravagance, and profligacy in the parents, who, contrary to the order of nature, subsist by the oppression of their offspring. 4th, It appears that the children employed in factories are generally debarred from all opportunities of education, and from moral or religious instruction. 5th, From the excellent regulations which subsist in several cotton factories, it appears that many of these evils may, in a considerable degree, be obviated; and we are therefore warranted by experience, and are assured that we shall have the support of the liberal proprietors of these factories, in proposing an application for parliamentary aid (if other methods appear not likely to effect the purpose) to establish a general system of laws for the wise, humane, and equal government of all such works."

The "general system of laws" which these Manchester philanthropists desired was long of coming; indeed, even to-day, and even as regards children only, it is far from perfect. The idea of State interference ran counter to the whole content of the *laissez-faire* philosophy, then growing in strength, and the conclusions of the Board of Health were neglected. But there was one class of the factory children which had a special claim on the State such as the most extreme individualist could not deny. These were the workhouse apprentices, who had no other parent or guardian but the nation, and who could not be supposed, under any fiction of free contract, to agree to the slavery into which they were literally sold. On this ground the

first Sir Robert Peel, himself a manufacturer, introduced the Factory Health and Morals Act in 1802, a measure whose title fully expresses its objects. It applied to cotton and woollen factories, these being the new industries employing the majority of apprentices, and after providing that the buildings should be properly ventilated and periodically lime-washed, it enacted that apprentices should not work more than twelve hours a day, between six o'clock in the morning and nine at night, but no age was fixed below which children should be regarded as too young for factory work. Suitable clothing and adequate sleeping accommodation were to be supplied, and the apprentices were to be instructed in the rudiments of education every working day—the time so occupied to be counted in their hours of work—and in the principles of the Christian religion every Sunday. Two local visitors were to be appointed by the justices of the peace to enforce the Act and to compel the employer to call in medical assistance on outbreaks of infectious disease.

This statute is important since it was the first Factory Act, but in itself it was of small utility owing to the difficulties of enforcing it arising from the remote position of many factories and the neglect of their duty by the visitors. The steam-engine, however, came to the rescue of the apprentices, for the new motive power allowed factories to be erected in towns, where an abundant supply of "free labour" could be obtained in the persons of the children of factory operatives and dispossessed hand-workers. The wording of the third of the Manchester resolutions shows that this change had already begun to be noticeable in 1796, and when it was complete the Factory Question presented itself before the legislature. The first man to bring the condition of the children prominently before the public was Robert Owen. In 1813 he addressed to his fellow-manufacturers a letter which contains the essence of the whole theory of labour-protection. After recounting the results of his system of administration at the New Lanark Mills, he went on:

"And when it was perceived that inanimate mechanism was greatly improved by being made firm and substantial,—that it was the essence of economy to keep it neat, clean, regularly supplied with the best substance to prevent unnecessary friction, and by proper provision for the purpose to preserve it in good repair,—it was natural to conclude that the more delicate, complex living mechanism would be equally improved by being trained to strength and activity, and that it would also prove true economy to keep it neat and clean, to treat it with kindness, that its mental movements might not experience too much irritating friction; to endeavour by every means to make it more perfect; to supply it regularly with a sufficient quantity of wholesome food and other necessaries of life, that the body might be preserved in good working condition, and prevented from being out of repair or falling prematurely to decay." Owen did not convert the employers to his views, but the public mind was prepared for the reception of his teaching by two great movements which aroused the philanthropy of the nation. One was the Wesleyan revival of religion, which awakened men from the apathy of the eighteenth century, and produced so profound an impression on all classes and in all directions that we find some of the early political associations modelling their methods on its class-system; it was, besides, one of the first training-grounds of the working classes in self-government. The other was also an ethical movement, the humanitarian revival with which are connected the names of Bentham, Romilly, Wilberforce, and others, and which was stretching out in all directions, into prison reform, into mitigation of the criminal law, into abolition of slavery, and other projects. On the other hand, the principles of competition and *laissez-faire* were now firmly established; nothing shows this more than the sense of novelty, almost of horror, produced by the suggestion of legislation. It could not be pretended, with any regard to common-sense, that young children were free agents, qualified

to judge of their own interests and fit to enter into fair contracts. The individualist theorists fell back on the rights and duties of parents, and shook with terror at the idea of interfering with parental authority or of sapping the vigour of a father's character by compelling him to do his duty. Much in the same way to-day the Charity Organisation Society maintains that to starve the children and keep them from school exercises a more elevating effect on the morals of parents than to educate the children and give them a decent meal per day at the public expense. It was a long time before the rights of the children won recognition. Even in 1866 the Children's Employment Commission had to report: "It is unhappily, to a painful degree, apparent throughout the whole of the evidence, that against no persons do the children of both sexes so much require protection as against their parents. . . . The children and young persons, therefore, in all such cases may justifiably claim from the legislature, as a natural right, that an exemption should be secured to them from what destroys prematurely their physical strength, and lowers them in the scale of intellectual and moral beings."

Owen proposed to forbid the employment of children under ten years of age in all factories, to fix their hours of labour to ten and a-half a day up to the age of eighteen, to exclude them from night-work, and to compel the employers to provide half an hour's instruction a day. Unfortunately, Sir Robert Peel, who was well disposed to these suggestions, first appointed, in 1816, a Select Committee, instead of legislating at once, and so gave time for the employers' opposition to gather strength. He fully recognised the changes which had been wrought in the manufacturing system by machinery, and gave evidence that if prompt measures were not taken by Parliament, machinery, "instead of being a blessing, will be converted into the bitterest curse." Nevertheless, the proceedings of the Committee were nothing but a farcical fantasia on a tragic theme, and the resulting

Act of Parliament in 1819 was a pitiable abortion. Proceeding on the assumption that the evils of child labour were peculiar only to the newer forms of manufacture—a misapprehension and neglect of facts which it took years to eradicate—it applied only to cotton mills. It fixed the minimum age for employment at nine, and the hours of work for persons under sixteen at twelve daily, including an hour and a-half for meals. Worse even than the limited scope of the measure was the absence of any provision for enforcement, and it speedily became a dead letter. In despair Owen turned to more radical means for reform, but others took his place, and Sir John Cam Hobhouse secured in 1825 the reduction of the hours of labour to sixty-nine per week, and in 1831 the abolition of night-work for young persons under twenty-one, the opposition of the employers being successful in achieving the mutilation of all other protective proposals.

A great change now took place in the position of the Factory Question—from being a matter of concern to a few philanthropists, it developed into a great labour movement. This was primarily due to the enthusiasm, energy, and eloquence of Richard Oastler, the "Factory King," who carried on his propaganda among the factory operatives themselves. In his efforts he was ably supported by Michael Thomas Sadler, member of Parliament and economist; by John Fielden, most liberal-minded of manufacturers; and many others of scarcely less note. Mr. Sadler gave the new movement its watchword in his proposal for a Ten Hours Bill, which henceforward became the minimum of working-class demands. The agitation spread from the cotton factories of Lancashire to the woollen mills of Yorkshire; "short-time committees" were established in both counties, and a Metropolitan Society for the Improvement of Factory Children was established in London. The Owenite trade unions lent a helping hand, and friendly relations were afterwards established with the Chartists of the north of

England. Petitions, meetings, and demonstrations of workmen now abounded. In 1832 Mr. Sadler obtained a Select Committee of the House of Commons to investigate the whole subject; and though the election consequent on the Reform Act prevented the Committee from reporting, and deprived Mr. Sadler of his seat, the evidence collected was electrifying in its effect. A new figure now came on the scene as parliamentary leader of the Ten Hours agitation, Lord Ashley. It is impossible to estimate how much the factory operatives owe to him, or how much their success depended on his unwearied advocacy. Few public men have had to face such opposition, both public and private, and only his religious spirit bore him up in his long years of strife. "I did not *dare*," he wrote to Oastler,[1] "as a Christian, to let my diffidence, or love of ease, prevail over the demands of morality and religion"; and again,[2] in the House of Commons: "For my own part, I will say, though possibly I may be charged with cant and hypocrisy, that I have been bold enough to undertake this task because I must regard the objects of it as beings created, as ourselves, by the same Maker, redeemed by the same Saviour, and destined to the same immortality." But while Lord Ashley was one of the first to bring the powerful support of the Christian religion to the factory cause, he was long left almost alone in his attempts to apply his creed to practical affairs. Of the clergy he bitterly complained:[3] "From them I have received no support, or next to none; one or two in their individual capacity have given me encouragement, and wished me God-speed; but as a body, or even numerously, though singly, they have done, are doing, and will do, nothing." Other supporters, however, were found, such as M'Culloch the economist and Robert Southey the poet. The latter drew Lord Ashley's attention to the pitiful fraud

[1] *The Life and Work of the Seventh Earl of Shaftesbury*, by Edwin Hodder, p. 83 (popular edition, 1893).
[2] *Op. cit.* pp. 164, 165. [3] *Op. cit.* p. 175.

by which some manufacturers circumvented the education clauses of the Acts :[1] "The manufacturers know that a cry would be raised against them if their little white slaves received no instruction ; and so they have converted Sunday into a *school-day*, with what effect may be seen in the evidences! . . . The Sunday School of the factories is an abomination ; it is an additional cruelty—a compromise between covetousness and hypocrisy."

The Government met the new move by appointing a Royal Commission, of which Mr. (afterwards Sir) Edwin Chadwick was the leading spirit, to the intense disgust of the workpeople, who naturally regarded further inquiry as unnecessary after Sadler's Committee. The factory operatives generally refused to give evidence, and in Manchester the Commissioners were met with a parade of three thousand factory children. To the amazement alike of the workers and the Government, the Commission in the summer of 1833 reported :—

"1. That the children employed in all the principal branches of manufacture throughout the kingdom work the same number of hours as the adults.

"2. That the effects of labour during such hours are, in a great number of cases, permanent deterioration of the physical constitution ; the production of diseases wholly irremediable ; and the partial or entire seclusion (by reason of excessive fatigue) from the means of obtaining adequate education, and acquiring useful habits, or of profiting by those means when afforded.

"3. That at the age when children suffer those injuries from the labour they undergo, they are not free agents, but are let out on hire, the wages they earn being secured and appropriated by parents and guardians.

"We are therefore of opinion that a case is made out for the interference of the legislature on behalf of the children employed in factories."

[1] *The Life and Work of the Seventh Earl of Shaftesbury*, p. 85.

Such an emphatic justification of the action of the reformers might have been expected to foreshadow important legislation; but even if a Government can be compelled to pass a bill, it cannot always be forced to make the measure an efficient one. "Lord Althorp's Act" of 1833, the outcome of the Commission, can at best be relegated to the realm of good intentions, being a strange mixture of good and bad, of real improvements and of ineffectual proposals. Its scope was wider than that of any previous Act, taking in all textile factories and all persons employed therein under the age of eighteen. The age-limit for employment was kept at nine; but even this was too high for silk factories, where considerations of humanity had to yield to the supposed necessity for training the nimble fingers while they were supple, and no age-limit was imposed. The hours of labour were fixed at forty-eight per week, and at most nine per day, for children under eleven years of age, and this age was to be raised to twelve in 1835 and to thirteen in 1836. Again, an exception was made for silk mills, where children under thirteen were to be allowed to work ten hours in any one day. Medical certificates of age were required, and every child had to produce a weekly certificate of two hours' attendance at school daily. Young persons under the age of eighteen were to be employed only twelve hours a day, and not at all at night. The normal factory day was defined as being from 5.30 A.M. to 8.30 P.M. Lastly, four factory inspectors were to be appointed, with considerable penal powers.

This Act deserves examination since it is a conspicuous example of the failure which must follow from any attempt to reconcile the incongruous objects of the health of the worker and regard for the *laissez-faire* theory. The avowed object of the Act was to secure the health and education of the children; the equally avowed intention was not to interfere with the fixing of the hours of adults by free competition. The former was attained by the limitation of

the hours of labour; but as the children were necessary adjuncts to the work of adults, this reform, to which the Government was forced, threatened the existence of the unlimited day of adults. The danger was averted by the official suggestion of the "relay system," by which gangs of children commenced work at different times of the fifteen-hours day and succeeded one another so long as the machinery was at work. Theoretically this was unobjectionable, but in practice it made detection of infractions of the law impossible. The badly-drafted clauses about meal-times added to the confusion, and before long the factory inspectors reported that the relay system defeated all administration of the Act. In fact, the old evils broke out again unchecked. Even had the Act been perfect, the number of inspectors was totally inadequate; and even had it been sufficient, the decision of factory cases by manufacturing justices would have nullified the law. As it was, the Act was reduced to a farce with the connivance of the Government, and the iniquity of entrusting human lives to the mercy of men moved by private gain and sheltering themselves under a cast-iron philosophy was once more proved. The Act is further remarkable for the creation of that most pathetic child-figure, the "half-timer." It was unimpeachable to the doctrinaire, and quite sound in theory, that a due combination of book-learning and practical instruction made the best education for a child; but when this theory involved the recognition of the factory as a suitable school for manual training, and the wild supposition that an eight-hour day of hard toil amid whirling machinery would leave in a nine-year-old child any capacity for the reception of instruction, the divorce between fact and fancy became manifest. Yet Sir Edwin Chadwick, to whom we owe the inception of the theory, remained to his death a convinced believer in it, and all the testimony of school teachers has not yet sufficed to secure its excision from the Statute-book. The insincerity of the Government was again shown by their omission to

make any provision for supplying the education which they made compulsory.

With the breakdown of the Act of 1833 came a renewal of the Ten Hours agitation, which rose to a white heat of anger when the Government in 1836 shamelessly proposed to repeal the clause limiting the labour of children between twelve and thirteen years of age. That attempt was defeated, and the movement underwent certain serious extensions. On the one hand, it got mixed up with the revolutionary economic proposals of the Chartists; and on the other, the Tory or country party used it as a weapon with which to combat the free-trade manufacturers. It thus acquired a greater Parliamentary strength; but the manufacturers, partly frightened at the danger of socialism, partly irritated at the insincerity of the landlord contingent, grew more and more incensed, and determined to prolong the struggle. As already said, the Ten Hours proposal involved more than the labour of children and young persons; it meant the restriction, though indirectly, of adult labour. The manufacturers called in the economist Nassau Senior to their assistance, and he proved[1] that since no mill where young persons were employed could be worked more than eleven and a half hours a day on the average, the whole of the net profit of 10 per cent was produced in the last hour of the working day, and that "if the hours of working were reduced by one hour per day (prices remaining the same), the *net* profit would be destroyed; if they were reduced by one hour and a half, even the *gross* profit would be destroyed." This analysis was hailed as a triumphant refutation of the case for Ten Hours, and was long the chief weapon of the masters. In truth, it only exemplified the futility of *a priori* philosophy when belted on to factory gearing. Its validity was dependent on the truth of the assumption that the produce of each hour's labour was identical, whereas the longer the working day the less valuable was the product of

[1] *Letters on the Factory Act*, 1837.

the last hour of exhausted operatives. For ten years Senior repelled the dreaded law; and when at last it was passed, manufacturers found that they had been fighting for a fallacy. Meanwhile, the reformers were unable to reply to the pseudo-scientific arguments of their opponents except with mere declamation, and this complete want of anything like a reasoned investigation of causes and effects made our factory legislation up to quite recent times a haphazard collection of imperfect and frequently contradictory regulations.

A letter written by Richard Cobden to the chairman of his committee, when he was parliamentary candidate for Stockport in 1836, sets forth the answer of the more enlightened of the factory party to the complaints of the workmen against the rule of competition:[1]—"As respects the right and justice by which young persons ought to be protected from excessive labour, my mind has ever been decided, and I will not argue the matter for a moment with political economy; it is a question for the medical and not the economical profession; I will appeal to —— or Astley Cooper, and not to M'Culloch or Martineau. Nor does it require the aid of science to inform us that the tender germ of childhood is unfitted for that period of labour which even persons of mature age shrink from as excessive. In my opinion, and I hope to see the day when such a policy is universal, *no child ought to be put to work in a cotton mill at all so early as the age of thirteen years;* and after that the hours should be moderate, and the labour light, until such time as the human frame is rendered by nature capable of enduring the fatigues of adult labour. . . . I am aware that many of the advocates of the cause of the factory children are in favour of a Ten Hours Bill for restricting the working of the engines, which in fact would be to limit the use of steam in all cotton establishments (for young persons are, I believe, at present employed in every branch of our staple

[1] *Life of Richard Cobden*, by John Morley, vol. i. pp. 464-68.

manufacture, more or less) to ten hours a day. It has always, however, appeared to me that those who are in favour of this policy lose sight of the very important consequences which are involved in the principle. Have they considered that it would be the first example of a legislature of a free country interfering with the freedom of adult labour? Have they reflected that if we surrender into the hands of Government the power to make laws to fix the hours of labour at all, it has as good a right, upon the same principle, to make twenty hours the standard as ten? Have they taken into account that if the spinners and weavers are to be protected by Act of Parliament, then the thousand other mechanical and laborious trades must in justice have their claims attended to by the same tribunal? I believe it is now nearly three hundred years ago since laws were last enforced which regulated or interfered with the labour of the working classes. They were the relics of the feudal ages, and to escape from the operation of such a species of legislation was considered as a transition from a state of slavery to that of freedom. Now it appears to me, however unconscious the advocates of such a policy may be of such consequences, that if we admit the right of the Government to settle the hours of labour, we are in principle going back to that point from which our ancestors escaped three centuries ago. Let not the people—I mean the masses—think lightly of those great principles upon which their strength wholly rests. . . . *I would then advise the working classes to make themselves free of the labour market of the world, and this they can do by accumulating £20 each*, which will give them the command of the only market in which labour is at a higher rate than in England—I mean that of the United States. If every working man would save this sum, he might be as independent of his employer as the latter, with his great capital, is of his workmen. Were this universal, we should hear no more of the tyranny of employers. . . . Mine is that masculine species of charity

which would lead me to inculcate in the minds of the labouring classes the love of independence, the privilege of self-respect, the disdain of being patronised or petted, the desire to accumulate, and the ambition to rise. I know it has been found easier to please the people by holding out flattering and delusive prospects of cheap benefits to be derived from Parliament, rather than by urging them to a course of self-reliance; but while I will not be the sycophant of the great, I cannot become the parasite of the poor. . . . How very obvious, however, must it be that any law restricting the hours of labour would be inoperative so soon as it became the interest of masters and workmen to violate it! Where, then, would be the utility or wisdom of an enactment which owed its power entirely to the free-will of the parties whom it professed to coerce? Surely they might act as effectually without the necessity of infringing and merely bringing into disrepute the law of the land!"

Essentially this is the case for individualism even as presented to-day. History never was a strong point with the Radicals, but it went to the verge of the permissible to confuse the objects of the Statute of Apprentices and the Ten Hours Bill: the former supported by the masters, intended to restrict the aggression of the labourers, and fixing a minimum working day; the latter demanded by the workmen for their protection against their employers, and establishing a maximum working day. Nevertheless, much may be pardoned Cobden on account of his enlightened views on child labour, which are not out of date even to-day. The calmness with which he, a manufacturer, contemplated the emigration of his best hands would be astounding were it not probable that he expected it would never take place. Free traders held that the adoption of their policy would benefit the workers by cheap food, and thereby enable the employers to reduce wages; at the same time, free imports would cause such a boom in trade that the unemployed would be absorbed, and the operatives would be strong

enough to obtain from their masters by bargaining what they asked in Ten Hours Acts or sought to find across the Atlantic. The contradictions in these results of course were not noted, for it was an age of theoretical political economy.

To bring under the law "the thousand other mechanical and laborious trades," whose inclusion so much terrified Cobden, was just the object aimed at by Lord Ashley, for the comprehensiveness of his Christianity enabled him alone, almost, of prominent Parliamentarians to see that evil should be redressed even when it did not occur in a cotton mill. He saw, further, that "two great demons in morals and politics, Socialism and Chartism, are stalking through the land," "conspiracies against God and good order" which derived their strength from the evils springing from the current industrial system. "Let your laws," he said,[1] "assume the proper functions of law, protect those for whom neither wealth, nor station, nor age has raised a bulwark against tyranny; but above all, open your treasury, erect churches, send forth the ministers of religion, reverse the conduct of the enemy of mankind, and sow wheat among the tares—all hopes are groundless, all legislation weak, all conservatism nonsense, without this alpha and omega of policy; it will give content instead of bitterness, engraft obedience on rebellion, raise purity from corruption, and 'life from the dead.'" In 1840 he obtained the appointment of the first Children's Employment Commission to inquire into the conditions of labour in those branches of industry which were not under the Factory Acts. Its first report, issued in 1842, dealt with mines and collieries, and the disclosures summarised elsewhere aroused such a feeling of horror, that, despite the lukewarmness of Peel's Government and the simulated fears of the mine-owners that wages would fall, he succeeded in the same year in passing an important Act excluding women, and children

[1] *Life and Work of the Seventh Earl of Shaftesbury*, by E. Hodder, pp. 173, 174.

under the age of ten, from the mines. The Second Report, dealing with trades and manufactures, appeared in 1843, and fully justified the statements of those who had urged the institution of the inquiry. It had no immediate effect on the evils it disclosed, but indirectly it aided the protectors of the textile children. Then followed a period of confusion, when the Conservative Government of Peel, partly no doubt on account of the vigour of the Chartists, stood firm by the manufacturers against the Ten Hours men, who, on the other hand, were supported by the Whigs from mere motives of party expediency, as Cobden in anger records. Further factory legislation was unavoidable, and the eloquence of Lord Ashley had in addition directed special attention to the need for education. A Government Factory Bill of 1843 was specially important by making the education of factory children to some extent compulsory; but it practically handed over instruction to the Church of England, and the petitions of a million and three-quarters of Dissenters compelled its withdrawal. Up till quite recent years there is little to be proud of in the history of the connection between the State and education, but the determination of all sects to make public instruction ancillary to religion has been the greatest impediment to progress. Another bill in 1844 was destroyed by the amending energy of the reformers, but in the same year the Government forced the third draft of their measure into law at the point of the political bayonet. As usual, the measure was confined to the textile industries, and an infamous price was paid for reform in the lowering of the age of employment from nine to eight years. Between the ages of nine and thirteen labour was confined to six and a-half hours a day, or eight hours including meal-times. The consequences of State intervention begin to show themselves in this Act. Previous statutes had been mainly hortatory; the Act of 1844 was regulative. Experience had shown that unscrupulous manufacturers had used every legal quirk to evade the law to the injury of their employees and of honest

masters. Now the relay system was abolished by prohibiting the working of the same children in consecutive shifts, by reckoning the work-day of all from the hour the first began work, by regulating times by a public clock, by more stringent regulations regarding meal-times; while evasion of the age-rules was checked by requiring certificates from a publicly-appointed medical man. All these were cases of interference with the detail working of factories, and are all infractions of that sacred principle, to this day upheld against trade unions, that an employer has alone the right to regulate the organisation of his own establishment. Nevertheless, the State once for all decreed that proprietary rights should not be allowed to hinder it in its task of raising the factory population out of the condition of physical and moral degradation which had been the product of private management of industry. In the second place, all these regulations were indirect restrictions on adult labour which could not be carried on without the assistance of children, and in this way the public mind was prepared for direct legislation. A further offence against the principles of the individualists was committed by the inclusion of adult women in the same category with young persons, and the consequent reduction of their hours of work to twelve, night-work also being prohibited. Later theory has justified this proceeding on the ground that women are too weak to protect their own interests, that they do not comply with the definition of that fiction the "economic man." In 1844, however, the arguments for the change were that the inordinate hours worked in factories were ruinous to the health of women and conducive to moral degradation, that family life was destroyed, and that men were thrown out of work by the competition of their cheaper and more submissive womenfolks. The net result of all these legal provisions was to establish the twelve-hours day for all persons in the majority of factories. A third point of great importance appears in the Statute-book for the first time in this Act, in the

requirement of the fencing of machinery and mill-gearing near which children or young persons were liable to pass or be employed. Again we see the influence of the doctrinaire unacquainted with practical life and the manufacturer eager to save expenses. Workmen obviously cannot make their own terms as to the machinery on which they are to be employed, or guard themselves against hidden flaws in gearing, while habituation to danger gradually saps the greatest care, and cautious, and therefore slow, methods of working are apt to lead to dismissal. The obvious solution of the difficulty was to throw the responsibility for providing safe machines on the employer; but so strong were theory and parsimony combined, that women were not brought under the protection of the law till 1856, and men not till 1878.

The apparently crushing defeat of the Ten Hours Bill did not dishearten its advocates. On the contrary, in 1845 Lord Ashley was successful in applying to calico print-works the provisions of the Factory Act of the previous year, the first of a long series of extending Acts. In the following year a powerful ally was secured in Mr. Macaulay, whose speech is a classic in the annals of factory legislation. "Never will I believe," he said, "that what makes a population stronger, and healthier, and wiser, and better, can ultimately make it poorer. You try to frighten us by telling us that, in some German factories, the young work seventeen hours in the twenty-four; that they work so hard that among thousands there is not one who grows to such a stature that he can be admitted into the army; and you ask whether, if we pass this bill, we can possibly hold our own against such competition as this. Sir, I laugh at the thought of such competition. If ever we are forced to yield the foremost place among commercial nations, we shall yield it not to a race of degenerate dwarfs, but to some people pre-eminently vigorous in body and in mind." It is a melancholy fact that fallacies are seldom killed by argument, and commercial fallacies are generally proof even

against ridicule. More than fifty years have passed since the great Whig historian conclusively demonstrated that cannibalism is not the best form of competition, and yet to-day the advocates of *laissez-faire* maintain its absolute necessity.

Once more, but for the last time, defeat dogged the efforts of the reformers. When the bill was reintroduced in 1847 great changes had taken place in the political world. Peel had abolished the Corn Laws, the free traders were triumphant, and the landlord party, beaten and betrayed, were thronging round the stronghold of the factory-owners, raving for revenge. They took their revenge to the full, and the seventeen years' struggle ended in victory. The hours of labour for women and young persons were reduced at once to eleven a day and sixty-three a week, and after a year to ten a day and fifty-eight a week; otherwise the Acts of 1833 and 1844 were left unaltered. The sad thing about the victory was that it was not won by the great leader who had fought so strenuously during the years of darkness. Lord Ashley had succumbed to the anger of the yeomanry at his conversion to free trade and was out of Parliament. But he yielded the post of general to a man not less humane or honest than himself, John Fielden, the greatest manufacturer since Robert Owen.

The year 1847 was really conclusive in the history of factory legislation. Though great battles were to be fought afterwards, though great battles are doubtless still to be fought, then was settled the principle of the right of the State to interfere with adult labour. Interested persons have sought to obscure this fact, but to the combatants of the time it was perfectly clear. "The object of the bill," said Sir C. Wood, the Whig Chancellor of the Exchequer, "was the limitation of adult labour, not of young persons and women only, but of all factory labour. To the credit of the delegates from the manufacturing districts, they had all fairly and openly acknowledged that such was the object."

The fight was fair and square—Association against Competition: were the associated citizens, acting through their legislative organ, to limit the freedom of their individual members for the common welfare? The question was answered in the affirmative, but it has been asked again and again on each extension of the principle, and it is therefore desirable to place on record the arguments of its opponents. The disputes of later days need not then be dealt with in detail. Mr. Joseph Hume voiced the attitude of the philosophers. According to him, the principles of political economy were "that masters and men should be allowed to make what arrangement they pleased between themselves both with regard to the length of hours and the rate of wages; and that Government should interfere as little as possible, except in every instance to remove prohibitions and protections. The only condition on which this right was acceded to was, that no man should carry it on to the injury of others." Supporters of the bill "thought they knew better than the labourers themselves what were their interests. He repeated that any man who took upon himself to direct another in his ordinary affairs, told that other that he knew his affairs better than he himself did, and that he could manage them better. He held that the common-sense of the working classes was capable of enabling them to take care of themselves; if it were not, let them be educated and better taught. Mr. Fielden on a former occasion had presented to the House a petition signed by upwards of three millions of individuals, embracing a large proportion of the working classes of this country, in favour of a large extension of the suffrage. . . . He therefore asked his honourable friend to explain how it was that he now wished to introduce an Act of Parliament which should restrain the operations of the working classes, by laying down laws and regulations which were to prevent them from carrying on their labour as seemed to them best? . . . The bill seemed to require that as to the working classes there

should be one measure for everybody—that everybody should be of the same height, the same length, the same breadth, and the same strength; if any were too long or too strong, he must be cut down; and if any one were too weak or too short, he must be stretched out." This was exactly the language of the Committee of 1811, and the accumulated evidence of committees and commissions went for nothing. Senior's "last hour" was dragged from its unhonoured grave, and Mr. Hume added that "he suspected that the outcry in favour of this bill was kept up by a set of individuals who were more influenced by a desire for their own enjoyment, and by a dislike to labour, than by any feeling for the rest of the community." The end of life, in fact, was not to live but to produce.

Mr. John Bright passed from theory to practical arguments. In the first place, he denied the evils—the fact that women "were there in such numbers was conclusive evidence that the labour in factories was not hard"; in the second, he prophesied national ruin. "In the cotton trade alone, there were consumed last year more than 600,000,000 lbs. weight of the raw material. In the woollen and worsted trades, 260,000,000 lbs. In the flax trade, more than 177,000,000 lbs.; and in the silk trade more than 6,000,000 lbs. weight; making in all 1,057,000,000 lbs. weight. Now if this were to be divided by six, the diminution that was calculated to follow the passing of the Ten Hours Bill, it would give a reduction of no less than 176,000,000 lbs. He asked, then, was it possible that a measure which would cut off at once this vast supply, amounting to one-sixth of all the manufactures of this country, could be passed without creating confusion and disaster in all parts of the country? Again, let them look at their exports. In 1844 the amount of their exports of cotton was £26,000,000; of woollens, £9,000,000; of linens, £4,000,000; and of silks, £750,000; in all, £39,750,000; from which if one-sixth were to be cut off, it would reduce the exports at one blow by a sum

of £6,600,000. He would ask the Chancellor of the Exchequer how it would be possible to carry on the affairs of this country with a diminution of their exports and imports to the extent which he had mentioned, and amounting in the exports alone to between six and seven millions annually." Dr. Bowring added that individual wages must also fall by one-sixth. In 1846 the foreign commerce of the United Kingdom was £135,000,000, or £6 : 16s. per head of population; in 1897 it was £745,000,000, or £18 : 14 : 4 per head. So much for prophecy. But from prophecy Mr. Bright descended to threats. "In the factory with which he himself was connected, in that town, they had a large infant school, together with a reading-room and news-room, and a school for adults, where the workmen attended after working hours. They had also a person employed, at a very considerable expense, who devoted his whole time to investigating the concerns of the workmen, and who was a kind of missionary among them. Not a few hundreds of pounds per annum were expended in promoting in this manner the interests of the workmen; and that, too, wholly independent of any act of the Legislature. This was the case at many other wealthy factories; but he would warn the House that if they now armed the workmen against the capitalists by fixing by law ten hours, or any other number of hours, for the duration of labour, and thus interfered with the established custom of the kingdom, he believed that it would be impossible that the feeling which hitherto existed on the part of the manufacturers towards the operatives would continue, should the workmen think that by coming to that House they could fix the time of work and the amount of wages. He thought, if such a result took place, that it would be the duty of the manufacturers—nay, that it would be absolutely necessary for them—to take such steps as would prevent the ruin from coming upon them which must result from the passing of this measure. . . . Believing as he did in his heart that

the proposition was most injurious and destructive to the best interests of the country—believing that it was contrary to all principles of sound legislation—that it was a delusion practised upon the working classes—that it was advocated by those who had no knowledge of the economy of manufactures—believing that it was one of the worst measures ever passed in the shape of an Act of the Legislature, and that if it were now made law, the necessities of trade, and the demands alike of the workmen and of the masters, would compel them to retrace the steps they had taken—believing this, he felt compelled to give the motion for the second reading of this bill his most strenuous opposition."

The Ten Hours Act became law, but the resources or capitalism were not yet exhausted. The working day still lasted from 5.30 A.M. to 8.30 P.M., and by splitting the time of the ten-hours workers into fragments scattered over the whole fifteen hours, the machinery and the adult men were kept going all the time. Detection of breaches of the law was almost impossible, and offenders were sure of lenient treatment from a bench of sympathetic justices. Agitation once more broke out, and at the price of raising a week's work from fifty-eight to sixty hours, Lord Ashley in 1850 secured the range of the working day for women and young persons at twelve hours, between 6 A.M. and 6 P.M., or between 7 A.M. and 7 P.M., thus abolishing the relay system for them. Children could still continue to be worked throughout the longer working day, the obvious object of their exclusion being the intention to utilise their assistance in creating a fifteen hours day for adult men. The resistance of the operatives defeated this plan, and in 1853 children were placed under the same law as women and young persons. The turn of the century saw the question of principle settled; thenceforward we have only to chronicle the sluggish and fitful extension of the law to fresh classes of workers. Bleaching- and dye-works, lace factories, and bakehouses were successively brought under control; then

the Childrens' Employment Commission of 1862-66 led up to the general Acts of 1864 and 1867. Workshops were regulated in 1867; an abortive attempt was made to regulate the labour of children in agriculture in 1874; another Royal Commission resulted in the consolidating Act of 1878, and in the control of domestic workshops; shop labour was dealt with in 1886. But all those Acts, and the more recent ones of 1891 and 1895, are corollaries to and developments of the Acts of 1833, 1844, and 1847.

Mention has already been made of the motives which animated the reformers, and produced by their variety much confusion in the regulative statutes. It is only by experience of the working of protective legislation that we are able to give a scientific justification of the policy of Owen and Ashley. We see that these laws have been followed by an increased efficiency of labour and a greater productivity of capital, that the longer hours of leisure have led to a decided improvement in the moral and intellectual character of the workers, and that the restrictive working of the law has produced a greater real freedom as shown by the growth of trade unions, co-operative societies, and political associations. We find also that State interference has been accompanied by tenacious attempts at evasion on the part of the capitalists, only to be repressed by drawing the meshes of the law ever closer and closer. Lastly, on examining the working of the laws it will appear that their success arose from the fact that they were not merely declaratory statutes, but imposed upon the Government the duty of taking an actual part in factory management. The success of the later compared with the failure of the earlier Factory Acts depends solely on the fact that the earlier Acts were enforced by local visitors or the "common informer," whereas the later ones were administered by inspectors attached to a central department. It is a curious fact that the demonstration of the possibility of democratic control over industry is due to the almost accidental inclusion in the

Act of 1833 of a provision for State inspectors, at the suggestion probably of Mr. Chadwick, who was always a fanatic for centralisation.

Factory legislation, in truth, means the triumph of Association over Competition, of Socialism over Individualism. "It cannot be seriously denied," says Mr. Morley,[1] "that Cobden was fully justified in describing the tendencies of this legislation as socialistic. It was an exertion of the power of the State in its strongest form, definitely limiting in the interest of the labourer the administration of capital. The Act of 1844 was only a rudimentary step in this direction. In 1847 the Ten Hours Bill became law. . . . In the thirty years that followed, the principle has been extended with astonishing perseverance. We have to-day a complete, minute, and voluminous code for the protection of labour; buildings must be kept pure of effluvia; dangerous machinery must be fenced; children and young persons must not clean it while in motion; their hours are not only limited but fixed; continuous employment must not exceed a given number of hours, varying with the trade, but prescribed by the law in given cases; a statutable number of holidays is imposed; the children must go to school, and the employer must every week have a certificate to that effect; if an accident happens, notice must be sent to the proper authorities; special provisions are made for bakehouses, for lace-making, for collieries, and for a whole schedule of other special callings; for the due enforcement and vigilant supervision of this immense host of minute prescriptions, there is an immense host of inspectors, certifying surgeons, and other authorities, whose business it is 'to speed and post o'er land and ocean' in restless guardianship of every kind of labour, from that of the woman who plaits straw at her cottage door, to that of the miner who descends into the bowels of the earth, and the seaman who conveys the fruits and materials of universal industry to and fro between the

[1] *The Life of Richard Cobden*, vol. i. pp. 302, 303.

remotest parts of the globe. But all this is one of the largest branches of what the most importunate Socialists have been accustomed to demand; and if we add to this vast fabric of Labour legislation our system of Poor Law, we find the rather amazing result that in the country where Socialism has been less talked about than any other country in Europe, its principles have been most extensively applied."

CHAPTER VI

MODERN ASPECTS OF COMPETITION

THE victory of Free Trade marked the national adoption of the maxim of buying in the cheapest and selling in the dearest market, and thus closed the chapter in industrial history which Adam Smith had opened seventy years before. It was natural, therefore, that when a period of great prosperity began immediately afterwards, the whole glory of the result should be set down to the credit of Cobden, Bright, and the other heroes of that dramatic struggle. The idol of Free Competition, somewhat damaged by the assaults of the socialists, was repaired, regilded, and set up anew on a lofty pinnacle for the world to worship. Manufacturers, equipped with excellent machinery, found through free trade an outlet for their products which could not otherwise have been available, and the immediate effect on the growth of national wealth and private fortunes was perceptible to the blindest. And, by a fortunate coincidence, other events occurred which independently caused a great increase of commerce. The discoveries of gold in Australia and California hastened the settlement of the colonies and produced a rise in prices favourable to trade. Improvements in the means of communication by railways, steamships, and telegraphs widened the market, reduced expenses, and eliminated middlemen. The opening of new markets, the railway booms on the Continent and in America, and the discoveries

of new processes, all contributed their share towards the increase of British prosperity. Yet there was nothing startling about them—except in the gold-rushes: they worked, as it were, behind the scenes and in a manner obscure to the general public, and they were merged in the final cause of unlimited competition. The industrial system, as conducted by British capitalists and sanctioned by Manchester economists, accommodated itself to the public conscience by dropping much of its former violence. The growth of milder manners and the intervention of the State made most of the old horrors of the factories now impossible. Large profits made it feasible to pay the work-people better, and by degrees the manufacturers learned the economy of high wages and the wisdom of dealing less autocratically with their "hands." On their side, too, the workers changed their attitude, and the reconciliation of all sections of the community seemed probable through their common union in adoration of the middle classes, the "backbone of the nation." It must further be noted that John Stuart Mill for half a century dominated the intellect of Great Britain, and the support he gave to the working classes, and his sentimental approval of their ideals, only strengthened his fervent advocacy of the detachment of the adult individual from the State. Under all circumstances there was much to be said in defence of competition, as the outcome in trade of that principle of liberty of action which was the essential mark of the free man; but when Mill welded with it that other principle of the protection of the weak, he gave to economic and political individualism a power which it had never before possessed. Lastly, Darwin seemed to add the final touch of impregnability to the doctrine of competition, when he based his theory of evolution on the "survival of the fittest," and the vulgar trade maxim became part of the great cosmic process. Later it was found out that this support was only in appearance and not in reality, but for the time being the effect was very great, for the unscientific

vagueness of the scientific phrase prevented those who made it a shibboleth from seeing that the survivor in a stye merely proved his fitness for the stye and nothing else.

We can now observe competition freely at work for something like half a century, a reasonably long period of trial, and we can dismiss from our minds those considerations of elementary humanity which governed the early reformers; for it was conceded, though on the whole grudgingly, that humanity should prevail over profit, provided that it did not act too suddenly or on too large a scale. The results expressed in bare figures are staggering. According to Sir Robert Giffen, the capital of the United Kingdom, which had been £4,000,000,000 in 1845, rose to £6,000,000,000 in 1865, to £8,500,000,000 in 1875, and to £10,000,000,000 in 1885. Judged from the standpoint of the accumulation of wealth, these figures seem to dispose of all possibility of question; but their magnitude only conceals the waste which accompanied the piling up of such stores. It is claimed for competition not only that it is the most efficient method of production, but also that it is the only equitable means for the distribution of wealth. Sir Robert Giffen's classic estimate that there are five millions of our population "whose existence is a stain on our civilisation" suggests a doubt as to the validity of that claim, which is deepened by Mr. Charles Booth's discovery that over a million people in London alone drag out their existence below the "poverty line." On seeking for a test of the satisfactoriness of competition as an instrument for securing the proper fulfilment of the nation's wants, we would naturally look for the equation of supply to demand, in the same way in which a co-operative store meets the requirements of its members. We would expect a progressive increase in business without any marked insufficiency or excess of the goods demanded. But this is just what we do not find. It is true that down at least till about 1875, and leaving out the early part of the American Civil War, we do not observe those violent and

frequent crises which disfigured the years of the thirties and forties; but there is a marked periodicity of trade, an alternate contraction and expansion, symptomatic of some innate incompetency or dislocation. Taking, as an example, the foundational industry of iron and steel, the following table is given as a summary of its recent history: [1]—

Period of Contraction.		Period of Expansion.	
1857-62 . .	6 years.	1863-66 . .	4 years.
1867-70 . .	4 „	1871-74 . .	4 „
1875-79 . .	5 „	1880-83 . .	4 „
1884-88 . .	5 „	1889-90 . .	2 „
1891-97 . .	7 „	1898-1900 . .	3 „

The causes which affect the manufacture of iron and steel must act on the whole trade of the country, and the irregularity disclosed leads us to a closer examination of some of the main features of modern business.

Modern industry is essentially speculative in character. To quote one of the popularisers of Cobdenism: [2] "It is for the prospective, not for the actually existing, demand that a producer has chiefly to provide. Not only he, but also the exporting merchant and the wholesale dealer have to provide stocks from which to make their sales, and in but few cases sell before production, unless it be special goods to special patterns or models. Our warehouses and shops overflow with goods that have been produced before being sold, and with a view to their being sold. They have been produced to meet the prospective demand, and to measure that accurately is not in the power of the most able and prudent man." This statement applies most fully to goods for consumption, but it applies also to goods, such as machinery, which are intended to aid production. To take a recent instance, American makers of locomotive engines and bridges, who specialise in their manufacture and make for stock, find that

[1] *The Economist*, 1st July 1899.

[2] *The Displacement of Labour and Capital*, Aug. Mongredien, p. 25. Cassell and Co. (The Cobden Club, 1886.)

they have a considerable advantage in meeting large demands over British makers who make to order only. The community is interested only in the accommodation of the whole supply to the total demand, but it is to the interest of each individual manufacturer to secure for himself as large a share of that demand as possible, without regard to the probability of there being an over-supply. To secure custom he must underbid his competitors; to make the low price profitable he must reduce his expenses of production. There is thus a permanent stimulus to the improvement of organisation and to the invention of new processes; but as soon as these advantages are gained they are immediately lost by competition, and the enhanced profits are either dissipated in expenses or handed over to the consumer. The old economists justified competition on this very ground, that the desire for private gain first drove capitalists to improve their industry and then compelled them to part with their profits to the general public, but they arrived at this attitude only by neglecting all the other aspects of the problem.

The aim of trade is to make profit; the object of making profit, according to commercial philosophy, is to make savings. In fact, quite apart from the general desire to accumulate wealth, when incomes rise above a certain figure there is a surplus which must either be squandered or saved. The nature of national saving is of the first importance. "It is most difficult to realise, until one thinks of it," says Sir R. Giffen,[1] "that savings in the modern industrial world can only be made by a community as a whole *as they are invested*; saving and investment go on *pari passu*. But the appreciation of this fact is necessary to the comprehension of our monetary system. If the two things were not to go on *pari passu*, and the saving community in all directions endeavoured to heap up its savings in hard cash even for a month, certainly if it did so for a year, the money market would collapse. The accumulations of a single year, even

[1] *The Growth of Capital*, pp. 151-54. Bell and Sons, 1889.

taking them at 150 millions only, according to the figures of 1875-85, instead of the higher figures of the preceding decade, would absorb more than the entire metallic currency of the country. They cannot, therefore, be made in cash. An individual may save by depositing what he calls cash with his banker; but the banker must either invest directly or indirectly through a borrower, and there must be new investments for the new money, or the investments could not be made in the aggregate; for although the banker or his borrower may purchase old investments, the seller has immediately the same money to reinvest. Hence the importance of the question of what has been described as free savings coming upon the Stock Exchange for investment, as compared with accumulation generally. Savings, in fact, are made as a rule individually. A shopkeeper, or merchant, or manufacturer making profit adds to his stock, or improves his premises, or buys a new house. In this or some similar way profits and savings are invested directly as they are made, and they have no visible effect on the money market. The industrial world could not, in fact, go on unless by a fixed arrangement for saving—a portion of the community being constantly employed by the savings directly to create the investments in which the savings may be put. It is only a certain part of the whole savings which goes to the Stock Exchange and seeks new securities of the kind dealt with there. Even a portion of this part is comparatively steady; but there is a varying surplus, and the changes in this surplus, or final margin, are most significant of the general state of trade. . . . The free margin, whatever it is, goes very largely into foreign and colonial securities."

This steady tendency to increase the productive machinery of the country necessarily intensifies competition. But if "competition is the life of trade," it is the death of businesses. The new-comers, equipped with the newest methods and the latest discoveries, produce more cheaply than their predecessors, and a race for life follows, in the course of which

more and more goods at lower prices are thrown on the market. If the low prices stimulate fresh demand, general benefit ensues, but the rate of production can only govern consumption within narrow limits. Owing to the great capacity of modern machinery, the operatives employed by the investment of savings can only consume a very small proportion of their product. An outlet must be found either in the discovery of fresh markets in countries yet to be "developed"—a problem which involves serious questions of foreign politics—or in increased home consumption. Leaving the former of these out of account for the present, as it brings up international competition, and from the nature of things must gradually diminish in importance as a solution, we see that an increasing proportion of the national income must be spent in order to absorb the goods originating from savings. Here a limitation arises from the manner in which the annual income is divided. Out of a population of about forty million persons, some eighteen millions are "occupied," and of these it is estimated that thirteen millions constitute the manual labour class. They and their dependents, therefore, form the home market for the great bulk of the production of goods for consumption, and on their ability to increase their effective demand depends the utility of the increased productivity of industry. But they receive only £650,000,000 out of the national income of £1,700,000,000, or less than one-third, and the spending capacity of a very large proportion of them is much below what the average represents. Even those of them who are best off have but a very small margin for conventional luxuries after providing for the bare necessaries of life. This permanent maladjustment of purchasing and producing power necessarily produces an incalculable disorganisation of industry, and profoundly increases the innate inability of the competitive system to balance supply and demand.

In production for a prospective sale and the constant investment of savings in productive machinery we find the

mechanical causes of periodicity in trade. "Improved machinery of manufacture and transport enables larger and larger quantities of raw material to pass more quickly and more cheaply through the several processes of production. Consumers do not, in fact, increase their consumption as quickly and to an equal extent. Hence the onward flow of productive goods is checked in one or more of the manufacturing stages, or in the hands of the merchant, or even in the retail shop. This congestion of the channels of production automatically checks production, depriving of all use a large quantity of the machinery, and a large quantity of labour. The general fall of money incomes, which has necessarily followed from a fall of prices uncompensated by a corresponding expansion of sales, induces a shrinkage of consumption. Under depressed trade the markets continue to be glutted with unsold goods; only so much of current production is maintained as will correspond to the shrunk consumption of the depressed community. Before the turn in the commercial tide, current production even falls below the level of current consumption, thus allowing for the passing into consumption of the glut of goods which had congested the machine. After the congestion which had kept prices low is removed, prices begin to rise, demand is more active at each point of industry, and we see the usual symptoms of reviving trade."[1] Mr. Carroll D. Wright, in reporting on the great depression of 1886, used practically the same language: "So far as the factories and the operatives of the countries concerned are to be taken into account (England, the United States, France, Belgium, Germany), there does exist a positive and emphatic over-production, and this over-production could not exist without the introduction of power-machinery at a rate greater than the consuming power of the nations involved, and of those dependent upon them, demands; in other words, the over-

[1] *The Evolution of Modern Capitalism*, J. A. Hobson, ch. vii. § 6. Walter Scott, 1894.

production of power-machinery logically results in the over-production of goods made with the aid of such machinery, and this largely represents the condition of those countries depending largely upon mechanical industries for their prosperity."[1] "Over-production" of goods of which millions of people are in need is a pleasing phrase designed to conceal the ultimate facts. The disorganisation results not because too many goods really are produced, but from the inequitable distribution of wealth and the unregulated administration of industry by private persons seeking not the common welfare but directly only their personal gain.

We can measure the intensity of competition by the steady fall of prices throughout the last thirty years. Mr. Sauerbeck's index-number is based on the prices of forty-five commodities; and taking the average of the eleven years 1867-77 as 100, the average for the period 1878-87 was 79, and for the period 1888-97 it was 67. There has been a steady rise from 1896, when the index-number stood at 61, till January 1900, when it reached 74. The bulk of production has risen in proportion as its value fell. When we compare these figures with the estimates of the productivity of machinery, we can arrive at the cause which has produced the fall. Taking the country as a whole, it has been reckoned that between 1850 and 1885 the productiveness of machinery rose by 40 per cent, and Lord Playfair in 1888 said[2] that "it would be probably below the mark to put the displacement, on the average, since 1873, from 30 to 50 per cent of hand labour." Since then we must add a further increment of productivity; for as the margin of profit declines, the stimulus to the invention of labour-saving machinery becomes greater. Improvements in means of transit have been quite as active a factor in altering the character of trade as inventions in factory

[1] *Report on Industrial Depressions*, C. D. Wright. Washington, 1886.

[2] Speech on "Industrial Competition and Commercial Freedom" at the National Liberal Club, 24th April 1888.

machinery. In 1850 only 24,155 miles constituted the world's railway system, while in 1870 there were 130,631 miles, and in 1895, 433,953 miles, and the increased facilities thereby afforded for traffic explain a large part of the great cheapening of all kinds of products. The opening of the Suez Canal in 1869 preceded by a few years the great depression which affected all industrial countries. The great increase of speed shown by reduction of the voyage to Australia from three or four months to some thirty-five days diverted the whole course of Eastern and Australasian trade, and London ceased to be the depôt of Eastern produce for the Continent. The interlacing of the commercial world with telegraph lines and cables displaced middlemen and made large accumulations of goods in costly warehouses unnecessary. The manufacturer was made storekeeper for the merchant, who ordered his supplies by "wire," and reduced expenses. Not only the shorter and quicker routes reduced freights. "The increased economy of transit has necessarily lowered prices. Every ton of coal now carries thirty-two times more cargo than it did a few years since. In the best compound locomotives two ounces of coal will move a ton of cargo one mile; and half that quantity will move, in our best steamers, a ton of cargo and its proportion of the ship for two miles. . . . It is not in economy of fuel alone, but also in the economy of labour, that modern invention has produced this astonishing result. When the depression began in 1873, the number of hands required for 1000 tons of shipping was forty-seven; it is now reduced to twenty-seven. In other words, by labour-saving contrivances at sea and in the port, the same quantity of work can be done with 70 per cent less manual labour. This explains the fact that while our mercantile marine, between 1870 and 1880, increased its foreign entrances and clearances by 22,000,000 tons, it decreased the men employed by 3000."[1] We may add, that between 1888 and 1897 the

[1] Lord Playfair, *op. cit.*

total of entrances and clearances together increased by 14,000,000 tons, while the number of persons employed increased by 17,000, or only one man for each 888 tons.

Lord Playfair concludes that "the general result of these changes in distribution has been that all countries of the world have been brought into a common market to compete for the margins of profit." The very mechanism which British capitalism devised in order the better to achieve its purposes has created its rivals. This is no paradox, but the very truth. Not only were foreign factories for years stocked with British machinery, but British operatives have gone all over the world to every land with aspirations after manufactures of its own, to teach the natives how to be independent of British trade. British capitalists, remembering that fabulous profits were earned in Britain in the infant days of the factory system, have sought similar profits under similar circumstances abroad. Very much of the trade in cotton with China has been lost to this country owing to the competition of Indian mills worked by cheap labour and financed by British capital; Lancashire brains and money are stealing away Lancashire's trade. Apart from the direct ownership of factories, the development of foreign countries has been promoted by the investment of huge sums in railroads, municipal loans, and other public and private securities, sums which have grown in magnitude as the development—that is to say, looking at one aspect only, the competition with Great Britain—has proceeded. The exact amount is not known, but it is estimated at between two and three thousand million pounds sterling, and has risen by about 50 per cent in the last twenty-five years. Much of it, of course, has been wasted, but in all probability we draw in interest not less than one hundred and twenty millions sterling per annum. Over-investment in foreign railways has had a specially baneful effect on British trade. Each of the great railway booms, in America in 1853-57 and 1870-73, on the Continent in 1873, and in India in 1878,

led to violent speculation and the building of lines in unsettled districts where there was no traffic to be carried. No return being obtainable for many years, the heavy expenses brought about collapse and financial crises as violent as that which followed the English mania of 1847. The whole fabric of credit being shaken, the commercial world was starved for want of fluid capital, and depression naturally followed. Ultimately these railways proved of great advantage to the countries owning them, but meanwhile the original investors suffered losses in which indirectly the whole commercial community participated. The excessive lock-up of capital in undertakings producing no immediate return increases the permanent tendency to divergence between production and consumption. The same results are produced by the reckless financing of foreign governments, notably the exploitation of Argentina by the Barings. To pay the interest on the loans, production is stimulated and foreign markets are flooded with goods, raw materials in the case of "new" countries, beyond what is effectively required. Then the same process follows which we have traced in the case of domestic production; prices fall, but production goes on owing to the ignorance in remote districts of the state of the European markets; the supply of capital is checked; until at last the crash comes, not only bringing financial ruin, and perhaps dishonour, on the borrowing state, but also involving the creditor country in great distress.

In a limited market it is possible for a producer to forecast the probable demand and to estimate the capacity of his competitors to meet it; but in proportion as the markets widen, both these necessary conditions of success, and particularly the latter, become more difficult of attainment. A farmer in Essex finds it beyond his power to reckon up the probable produce of the Dakota wheat-crop or the chances of a scarcity in Russia before he decides what acreage he will lay down in corn, and yet his inability may land him in the bankruptcy court. Scarcely less difficult is it for the

Sheffield manufacturers to foretell the probability of, say, a raid on rails by the Carnegie combination. What is true of normal conditions of trade holds good with regard to an abnormal demand, and the efforts to meet the latter generally have far-reaching and destructive consequences. Of this there are two instances of cardinal importance. When the American Civil War cut off the supply of cotton, the deficiency was temporarily made good from fresh cotton-fields planted in India and Egypt with British capital. After the war, manufacturers returned to the finer cotton of America, and the new plantations suffered for years, until finally some of the heavily-indebted Indian companies brought down with them in their ruin the City of Glasgow Bank in 1878 and paralysed the manufactures and commerce of Scotland, an incident of the depression being the collapse of most of the Scottish trade unions. Nor was that all. The dearness of cotton led to an increased demand for linen, and for a brief period Belfast flourished exceedingly, only to be left after the war, like India, with a useless excess of productive machinery far greater than could be absorbed by the regular wants of even a moderately increasing trade, and a local depression which continued until it was merged in the general depression of 1886. The other case was of still greater magnitude. During the Franco-Prussian war, Great Britain enjoyed an enormous activity owing to the virtual disappearance, for the time being, of two of her great rivals, and for two or three years after the peace there was an extraordinary demand until the ravages of the war had been repaired. When demand once more sank to its normal level, the productive power of this country was far beyond the requirements of legitimate trade, profits fell rapidly, and both capital and labour were depreciated. Other countries as well had taken part in the manufacturing activity, and in particular a fever of speculation in trade was induced in Germany owing partly to the need for making good the losses of the country, partly to the fiscal policy of the

Government in favour of home producers, but mainly to the abundance of capital in consequence of the payment of the immense war indemnity. The depression was accentuated by the collapse of the railway boom and by the disturbance of the money market produced by the demonetisation of silver. From about 1875 till 1887 the commercial world fell upon disaster after disaster; but despite the loss to individuals the world's power of production was enormously increased, and thereby an additional competition was created for Britain. In fact, the entrance of Germany as a serious competitor in the world market dates from the conclusion of the war.

The inability of the capitalist system working through competition to control its own productivity is abundantly demonstrated, and it must increase in consequence of the settled policy of the great industrial countries except Britain. Generalising from the observed advantages of division of labour, the economists have considered that the same principle should govern the production of nations, so that, each producing those commodities for which it was best suited, the total output of the world might be the highest possible. There was a certain surface plausibility about this notion, and it was supported by some obvious facts, such as the suitability of the tropics for certain vegetable products, and the superior qualities of races inhabiting temperate climes for manufactures. But when the principle was applied to practical business, and it was expected that because Western America was a great agricultural district and excellent cotton and tobacco could be grown in the Southern States, therefore the United States should confine themselves to the export of raw materials, and should receive all their manufactures from Great Britain, it came into conflict with some hard facts of human nature, which, being sentimental, did not approve themselves to the economists, but none the less remained facts. The other nations refused to acquiesce in the acceptance of this country as the divinely-appointed workshop of the world. They saw that Britain had become wealthy

and powerful through her manufactures, and thought that there was no reason why they should not follow in her footsteps. The natural plan to follow, once the determination to become a manufacturing nation had been taken, was to protect the infant industries from competition with the giant strength of well-established British trade, and for this purpose the home markets were secured by tariffs for the home producers. This was costly for the nations adopting the protective policy, but, as John Stuart Mill expressly admits, such a policy is defensible for the special purpose in view. Of course, the selfishness of manufacturers once being aroused, the State was not allowed to stop at merely fostering growing trades, but was converted into an engine for the extraction of huge profits out of the community for the benefit of special classes. Despite all the demonstrations of the Cobden Club, the non-free-trade nations show no signs of recognising the error of their ways, and the cause of this recalcitrancy is that protection no longer rests on sectional selfishness or national envy. The idea of division of labour as applied to countries has been deliberately surrendered for the conception of a nation not as a mere congeries of individuals, but as a unit which must be capable of performing a certain number of functions in order to maintain a healthy existence. Just as every man must possess the normal number of limbs, and certain digestive, sensory, and muscular apparatus, so, it is held, must a nation be equipped with certain important industries. The notion of dependence on a foreign country for commodities which can equally well be produced at home has become repugnant to every one, and the State is called on to lend a hand in the creation of that industrial apparatus which is required to give an opportunity for the application of the national energies in every direction. This "neo-mercantilism," of course, imposes, for some time at least, a burden on the community at large, but so too does the maintenance of a police force for the protection of property. A nation

deliberately chooses that it shall not remain a mere grower of wheat or cotton, but that it shall have in addition the wider activities of manufacturers; and who shall say that it does not choose well? Certainly the preachments of the free-trading State which thereby loses a market will not be listened to. Agriculture is rapidly ceasing to be a British occupation, and yet, although we get cheaper bread, the disappearance of farming is not to be regarded lightly. And although we might get machinery cheaper from America, as we now get tools, there are probably few who would with complacency see the engineering industry vanish from our shores. The first method for providing the equipment of a nation has always been the crude and expensive one of protection by excluding tariffs, but it is not by any means the only way to attain efficiency and stability in an industry. A good example of "neo-mercantilism" at work may be taken from Germany. In December 1897 a conference was held between representatives of the State railways, the shipbuilding yards, and the steel-works. The steel-makers asserted that, having effected a union of the rolling mills some six months before, they were now prepared to undertake contracts for large quantities of ships' plates in competition with British makers, although in so doing they might have to make large sacrifices. The shipbuilders, on their part, "influenced by the conviction that German shipbuilding could only be sufficiently firmly established by an almost exclusive use of German materials," were willing to pay a somewhat higher price for plates than British makers demanded. And then both parties united in a request to the Government to reduce the railway rates for shipbuilding materials, a request which was acceded to.

National policy thus tends to withdraw individual countries from the international market, and to reserve them for home producers. To take only one instance, H.M. Consul at Rochelle, in his report for the year 1897, chronicles a continuous falling-off in the demand for British goods, owing

to the increasing tendency to manufacture everything in the country instead of importing. The process is far from complete, but it makes competition for these markets much keener; and in proportion as the exclusion goes on, the productive power of the world becomes in excess, and must either become useless or find fresh markets. In this way the innate tendencies of capitalism towards disorganisation, over-production, and depression of trade are increased. The effects of nationalism are not confined to domestic markets. Contrary to the predictions of free traders, they extend to all the markets of the world. Even as late as 1887, Lord Playfair, speaking of manufactures, could say:[1] "Over-production does not tell so quickly upon wages in England, because we are a great exporting nation, and if there is no market at home we seek it abroad. The United States cannot be so, for her cost of production is raised so high by protection that her exports are of small account in the markets of the world." Never was prophecy so quickly belied, for it is only indirectly that tariffs have made the United States an exporting nation, by starting industries in developing which scope could be found for those talents of organisation and invention, that versatility of resource, and that equipment of technical skill which are the characteristics of the American industrialist. To quote a report of the American Consul-General at Frankfort:[2] "It is now seen that it is something besides tariff that has made the cost of producing Bessemer pig-iron 10s. to 15s. per ton less in the United States than Great Britain, has enabled the steel-makers of Pennsylvania to underbid those of England for the rails and other supplies of the London underground railway, and to place an order for 8000 tons of steel with the British East Indian Government. Neither has fiscal legislation enabled the machinists of Philadelphia, Pittsburg, and Chicago to sell locomotives, mining and electrical machinery, street

[1] Speech on "Fair Trade and Agriculture," 16th December 1897.
[2] *Board of Trade Journal*, March 1898, p. 281 *et seq.*

railway outfits, bridges, and architectural iron in competition with British, German, and Belgian agents in South America, Australia, and the Cape of Good Hope." This extract well exemplifies the extent of foreign competition. As far as regards competition in our home markets is concerned, despite some striking instances, it is but small in amount; and, except so far as the destruction of a domestic trade is a matter for regret, it need not arouse much fear, since, as goods must be paid for by goods, it drives production into some other industry in substitution for the one lost. But competition for neutral markets when successful means a serious restriction on British manufactures without any compensation, and must again result in falling prices and disorganisation. How hurtful this may be appears from the single fact that cotton manufacturers told the Royal Commission on the Depression of Trade and Industry in 1886 that only some 20 per cent of our manufactured cotton in quantity and 30 per cent in value was reserved for home consumption. One special cause of the speedy growth of foreign competition, both for the home markets of the respective countries and for neutral markets, is that each newcomer in the field has been able to take advantage of the accumulated experience of its predecessors. Germany began where Manchester left off; and Russia and Japan are now beginning, not with the cottage industries of Lancashire, but on the plane to which German and American skill has raised manufacture. Each new industrial nation thus avoids great waste which we had to undergo. Science knows no boundaries, and the help which capitalism called in to its assistance as stress of competition made old systems intolerable has now created a condition of things in which profits inevitably tend to the vanishing point, and competition by its own violence loses all foothold.

To sum up, we see that business under capitalism, working through competition, shows an inherent inability to equate supply to demand, which increases as the market

widens. The saving of profits leads to over-investment in productive appliances, from which follow over-production, fall in prices, and depression. Reduction of profits compels economies in manufacture and transport, the greater employment of improved machinery, and the invention of new processes. The increased productivity of capital causes a still greater reduction in prices and profits, and increases the tendency towards disorganisation. Prices have fallen in the ratio of 67 to 100 for the period 1888-97 compared with 1867-77, and the rate of interest has been reduced in the past fifty years from 5 to about 2½ per cent. Competition has been increased, both directly and indirectly, by the new national policy of fostering home industries in order to make each State self-supplying with manufactures, and the progress of science has enabled this transformation to take place at a rapid rate. Through the fall of prices the advantages of improved methods of production are transferred from the producers to the community, but, owing to the inequitable distribution of income, resulting from individual ownership of capital, demand is not proportionately responsive to the increased supply, and the benefits of cheapness are counteracted by the cyclical nature of trade and periodic recurrence of times of depression.

The influence of machinery on the producing classes demands some further consideration. Every invention causes displacement both of capital and labour; and while its benefits are rapidly distributed over the whole community, its cost must be borne by individual capitalists and labourers. The two greatest inventions of the last half-century are the revolution of the iron industry by the Bessemer and open-hearth processes and the opening of the Suez Canal. The former laid idle iron-works representing a capital of about two and a-half millions sterling; the latter destroyed the capital invested in sailing-ships. In the engineering industry of America to-day the invention of new labour-saving machines proceeds so fast that machinery becomes

antiquated before it is worn out, and the workshops are in a constant state of transition. Except where an industrial method is superseded by one widely different, as in the substitution of railways for horse-traffic, capital as a rule suffers less than labour, owing to its superior fluidity, and to the chance of recoupment from the increased productivity of the inventions. And large businesses suffer less than small, as their powers of adaptation are greater, and therefore small concerns tend to go to the wall. But some loss there usually is, and one generation of producers is sometimes ruined for the benefit of posterity.

The displacement of labour by machinery is of relatively greater importance, but the permanence of the evil has been stoutly denied. The displaced workmen, it is said, will soon find employment, either in their own trade, owing to the increased demand caused by the lower price of machine-made goods, or in some dependent trade whose prosperity is quickened by the activity of the primary industry, and that in the long-run higher wages will be paid out of the enhanced profits. In support of this contention many interesting facts may be quoted, such as the immediate re-absorption of the 39,000 workmen thrown out of employment by the Bessemer process; and in the Massachusetts boot-factories, where the economy of labour has been raised to an exact science, the average wage of all workmen is three pounds a week, and the labour cost of a pair of shoes is twenty pence, whereas in the German shops the average wage is sixteen shillings, and the labour cost twenty-nine pence. It may at once be conceded that the wages of those who retain employment are higher, but it is quite a fallacy to suppose that all the displaced obtain equally good work again, and a still greater fallacy to imagine that where the total number of persons employed increases, the increase represents the re-absorption of those previously thrown out of work. For example, a girl with a sewing-machine can do the work of twelve men, but on aggregating the labour expended in

making a sewing-machine we find that one machine embodies a man's work for four and a-half days. Again, to quote the inaugural address by Mr. Tweddell to the Co-operative Congress of 1894:[1] "The consumers of any article are always in a large and ever-increasing majority; the producers of it in a small, ever-diminishing minority. One hundred and twenty-four men employed in Dunston mill are able to produce 5000 sacks of flour per week, enough to supply a population of 200,000 people; 1600 workers, including men, women, girls, and boys, engaged at Leicester shoe-works will supply 300,000 individuals with boots at the rate of four pairs each in the year." Mr. Charles Booth exhibits the facts of displacement in the gross in his article on "Occupations of the People."[2] The percentage of the employed classes engaged in manufacture was in 1841 27.1 per cent; in 1861, 33 per cent; and in 1881, 30.7 per cent. The textile and dyeing industries show a decline from 11.1 per cent of the employed classes in 1851 to 8.2 per cent in 1881, and the dressmaking industries similarly fell from 10.3 to 8.1 per cent. On the other hand, the iron industries increase their proportion owing to the export trade in machinery; and mining, building, the transport trades, dealing, and commercial occupations absorb an increasing proportion of the population. These figures, running over a long period of time, ignore all minor dislocations; and the vast difference between the industries which increase and those which diminish their proportion of workers shows that the transfer is achieved by the diversion of the youth of the population into the more promising paths of trade. The steady displacement of hand labour by machinery throws the unemployed into the ranks of the casual labourer and the unskilled hand.

The magnitude of the evil has been fully recognised by the economists. John Stuart Mill wrote in 1848:[3]

[1] *Co-operative News*, 19th May 1894, p. 535.
[2] *Journal of the Statistical Society*, June 1886.
[3] *Political Economy*, bk. i. chap. vi. § 3.

"Since improvements which do not diminish employment on the whole, almost always throw some particular class of labourers out of it, there cannot be a more legitimate object of the legislator's care than the interests of those who are thus sacrificed to the gains of their fellow-citizens and of posterity." Professor Foxwell in 1886 repeated the same doctrine:[1] "When, by an introduction of free trade, or a new invention, bringing with it immense gain to society as a whole, an industry is extinguished, and numbers of honest men reduced to destitution which is no fault of theirs and which they could not have foreseen, there seems to be a clear case for some assistance from the public, which has gained by the change, to the victims who have been ruined by it. It was suggested more than fifty years ago that, in the case of inventions, the necessary funds might be derived from a royalty on their use; and Adam Smith recommended that where a large industry might be disturbed, free trade should be introduced only by slow gradations. Neither suggestion suited the selfish individualism of modern industry, and neither was adopted." This problem competition is neither able nor willing to solve.

If it is a matter of urgency to the workman that he should have good wages, it is of at least equal consequence that his employment should be regular; but this is a condition difficult of attainment under existing circumstances. In the "domestic industries" of tailoring, bootmaking, cutlery, and the other sweated trades, it is a positive advantage to the giver-out of work to have at his beck and call an army of persons in casual employment who are at hand to meet an irregular demand and can offer no serious resistance to reductions of wages. Employers in the great industries, on the other hand, find that their advantage lies the other way. "Wherever costly and intricate machinery is used, and wherever the processes of different workmen are dovetailed one into the other, it pays the employer to

[1] *Irregularity of Employment and Fluctuations of Prices*, p. 68. Edinburgh, 1886.

retain, even at some sacrifice, the services of the same body of men, accustomed to his business and to each other. In these trades accordingly, a well-conducted workman may rely on retaining his employment so long as his employer has work to be done."[1] Counteracting influences again arise from the continuous displacement of hand labour by new inventions, and from the tendency of machinery to stimulate over-production and produce depression of trade. Professor Shield Nicholson, indeed, directly asserts that "great fluctuations in price occur in those commodities which require for their production a large proportion of fixed capital. These fluctuations in prices are accompanied by corresponding fluctuations in wages and irregularity of employment."[2] Whether the continuity of employment is less than it was earlier in the century is doubtful. Industrial history shows us that fluctuation is not a novel phenomenon, and the years of the thirties and forties present us with several crises of great violence. By dispensing with the high technical skill of the old handicraftsman and substituting a general versatility, machinery to some extent modifies the displacement of labour which it creates. The workers in the small-arms factories who found their occupation gone after the end of the Franco-German war got employment in the sewing-machine factories which were springing up, and the sewing-machine factories are now adding cycle departments to their works. When all allowances have been made, however, we cannot be driven from the conclusion that so long as competition between manufacturers governs industry, so long will machinery aid in producing a cyclical periodicity of trade with attendant irregularity of employment. The use of machinery also permits a more speedy responsiveness to the whims and freaks of fashion, and consequently induces unexpected alterations of demand in the luxury trades, with disastrous effects alike on the employer

[1] *Industrial Democracy*, p. 433, S. and B. Webb. Longmans and Co., 1897.
[2] *Effects of Machinery on Wages*, p. 66. Sonnenschein, 1892.

and the work-people. For discontinuity of employment there is no compensation in good times; the physical and moral results of temporary privation are positive and permanent alike on the workman and his offspring; there is an unredeemed loss to the individual and to the community. This is an aspect of the case which the "man in the street" is apt to overlook. Drawing up a balance-sheet of prosperity and adversity may be satisfactory enough for the capitalist who does not feel the actual pinch on Saturday night, but it is little comfort to the man who has seen his household goods at the pawnshop and his children without bread. Thrift and self-reliance, independence of spirit, the desire for intellectual improvement, and the capacity for political action all depend upon the individual being assured of maintaining himself throughout his life on a certain plane of comfort. And it is one of the chief offences of the existing industrial system that it fails to provide that assurance, that established expectation of life upon which progress depends.

Mill's dictum that the invention of machinery had not lightened the day's toil of a single individual may be taken as an exaggeration, but nevertheless it encloses an important truth. Hard manual labour has certainly diminished; it is just that kind of labour which machinery has "saved." The first effort of employers is always directed to the replacement of the labour of men by that of women and children, and simultaneously to running their machinery for "all the hours God makes" in order to extract the full amount of profit from it. But we have already seen that the claims of humanity have compelled a limitation of the hours of labour for these weaker classes of workers, and the employers have been driven to recoup themselves by the introduction of more elaborate machines driven at a higher rate of speed. Intense labour for a shorter space of time during which all the faculties are strained to the uttermost has taken the place of longer hours of work, when, if the toil was great, the

degree of application was relaxed. Competition, forcing on improvements in machinery, has repeated the result which it produced earlier in the century by making labour below a certain grade unprofitable. During the debates on the Child Labour Bill in the session of 1899, the representatives of Lancashire contended that the half-timers should be left alone, since in the stress of industry their numbers were diminishing, and they would soon disappear altogether. The same is true to a lesser extent with regard to female labour. At present women are thronging into machine employments, but their physical limit of endurance is below that of men. The contest now lies between the greater cheapness and obedience of women and the superior strength of men, and their respective advantages are not yet decided. An employer with the latest and largest looms may find it more profitable to employ men, but his rival with an older factory may be able to set off his saving in wages by employing women against his lessened output. The more complex machinery again enormously increases the liability to accident; and despite our elaborate regulations, the official statistics disclose in 1899 a casualty list of 4145 deaths and 84,471 injuries, or one accident for every 61.5 persons out of the 5,447,140 to whom the figures relate.

Competition, we have repeatedly stated, calls for machinery, and machinery in return stimulates competition and production at home and abroad, enhances crises, and reduces profits. We may complete the summary by adding that it displaces labour and increases the irregularity of employment. Work becomes more intense and more dangerous, and the competition of women with men is increased. We shall therefore find that the agitation in the ranks of the workers for more stability of employment, for higher wages, for shorter hours, for safer factories, for the limitation of the labour of children, and for the organisation of women workers, has increased in volume with the development of machinery.

CHAPTER VII

COMPANIES AND HONESTY

TRADING by joint-stock companies with limited liability is the most conspicuous feature of the commercial world of to-day; and although its great development extends over only some sixty years, its roots can be traced to a respectable antiquity. The association into partnerships of persons interested in a common undertaking naturally tended to enlarge its scope and include a greater number of individuals, but the legal rules which were effective in maintaining the personal liability of partners became obstructive when applied to the interests of shareholders. Unlimited liability for the debts of the undertaking scared investors, who individually could exert little control over the details of the business, and the trading community sought the creation of a new form of association which should have power to act as a corporation, while at the same time the liability of its members should be limited to the extent of the uncalled value of the shares which they held. The law, however, held this idea to be an illegitimate compromise between a partnership and a corporation, and, by striving to keep companies within the rules of partnerships, was long a stumbling-block to commercial development. The success of the great trading companies incorporated by royal charter, with monopolist privileges—such as the Russian, Levant, East and West Indies, Hudson's Bay, and African Companies—made the

joint-stock principle very popular. To check the share-jobbing mania, the "Bubble Act" (6 George I. cap. 18) was passed, to prohibit the formation of companies except by charter; but it was contrary to the tendency of trade, and only led to evasions. Legal restrictions were relaxed by the Act of 6 George IV. cap. 91, which empowered the Crown to issue letters-patent granting to any trading company the privilege of incorporation and the right of trading with limited liability, and further powers were granted by the Acts of 7 William IV. and 1 Victoria, cap. 73. The growth of banks, insurance companies, railways, and gas undertakings, indeed, proved to the authorities the necessity for legalising the only means by which large masses of capital could be got together. The clumsiness of letters-patent and the frequency of frauds led to a House of Commons inquiry and the Registration Act of 1844 (7 and 8 Victoria, cap. 110), providing that all companies should be registered. The need for simpler and cheaper regulations was still felt, and, although the Royal Commission of 1853 advised against the principle of limited liability, the Act of 1855 (18 and 19 Victoria, cap. 133) was passed, recognising the principle in certain cases, and subsequent measures removed the restrictions on banking and insurance companies. Legislation was consolidated in the Joint-Stock Companies Act of 1862 (25 and 26 Victoria, cap. 89), which is the shareholders' Magna Charta. Any seven or more persons associated for any lawful purpose may, by subscribing a memorandum of association, constitute themselves into a company with limited liability, and may conduct their business through annually appointed directors. When the number of members reaches twenty or more (ten in the case of banks), the company must be registered with the Registrar of Joint-Stock Companies, to whom annual returns must be made. The Act contains detailed rules regulating the rights and duties of the members of a company to one another, and, with some amending Acts not affecting its main features,

and with the judicial decisions flowing from it, constitutes the body of law by which joint-stock trading is controlled.

The Official Returns for 1898 show us that there were then 23,728 companies, with a paid-up capital of £1,285,042,021, to which must be added £1,089,765,095, the capital of the railway companies which are not registered under the Act of 1862, and £21,822,000 for the capital of the Bank of England, the Bank of Ireland, the Bank of Scotland, the British Linen Company's Bank, and the Royal Bank of Scotland. Altogether about one-fourth or one-fifth of the whole capital of the country is invested in joint-stock enterprise. By 1848 John Stuart Mill had come to doubt the entire truth of Adam Smith's dictum that joint-stock companies could only succeed where they had a monopoly or in such businesses as banking and insurance, which can be reduced to fixed rules; and as the years have gone by it has become less and less applicable. Even in 1870, with only eight years' experience of the Joint-Stock Companies Act, Professor Leone Levi could report to the Statistical Society[1] that "the business of the country is gradually passing from the hands of private firms to those of joint-stock companies." When he wrote only 11,906 companies, successful and unsuccessful, had been registered, less than half the number of those now working, while since 1884, the first year for which we have particulars of the capital of existing companies, the capital has nearly trebled. There is now no department of trade, manufacture, commerce, or finance in which the joint-stock company does not play a large part, while all undertakings which require a very large capital would be impossible but for this method of aggregating individual savings. Unfortunately, there are no official figures to show the distribution of companies throughout industry, and consequently we are without any effective means of testing the suitability of the system to various kinds of enterprise. Nevertheless, the following extract and

[1] "On Joint-Stock Companies," *Journal of the Statistical Society*, March 1870.

table from *The Economist* of 27th August 1898 will serve as some indication :—"Some idea of the number of companies that have been successful, at any rate up to a certain point, may be gathered from examining the present position of those whose securities have been admitted to official quotation on the Stock Exchange. For this purpose we have taken out from the official notifications of quotations granted all the securities of new industrial companies which have been admitted to the Official List from the beginning of 1896 to the end of July last, including only those whose ordinary or preference capital is on the market, and not such as have merely obtained a quotation for a debenture issue.... It takes no account of the enterprises that never reached the stage of allotment, or those which, getting enough capital subscribed to satisfy the vendors, managed to drag on their existence so long as funds could be found to pay working expenses. Nor does it include the very considerable number of companies which, although many of them paying good dividends to their shareholders and carrying on a successful business, have not found it necessary to apply for a Stock Exchange quotation. The companies admitted to quotation must, however, be looked upon to a great extent as the cream of the enterprises appealing for public support."

	Number of Companies quoted.	Aggregate Value of Securities.	
		Nominal.	Market.
Breweries and Distilleries . .	28	£10,739,200	£11,643,300
Stores and Trading . . .	30	8,509,100	10,702,000
Patents and Proprietary Articles.	9	12,148,500	10,835,700
Manufacturing	28	7,332,500	7,987,800
Tea and Coffee Planting . .	13	5,777,200	4,872,000
Hotel	12	3,523,600	4,186,100
Catering	3	435,000	690,000
Carry forward . .	123	£48,465,100	£50,916,900

	Number of Companies quoted.	Aggregate Value of Securities.	
		Nominal.	Market.
Brought forward . .	123	48,465,100	50,916,900
Dwellings, Office, and Warehousing	12	3,743,900	3,780,300
Land and Finance . . .	8	1,883,600	2,252,800
Mines	7	1,520,000	1,565,000
Cycle and Motor . . .	6	2,120,000	1,077,300
Iron, Steel, and Engineering .	5	809,100	1,144,900
Newspaper and Publishing . .	7	1,818,300	1,936,800
Electric Light, Power, etc. . .	5	979,500	1,332,600
Natural Produce Working . .	5	2,015,000	2,807,500
Theatres and Music Halls . .	2	370,000	368,400
Banks and Insurance . . .	4	310,700	240,600
Miscellaneous	19	3,700,500	3,473,900
	203	67,735,700	70,897,000

In connection with this table[1] it must be noted that the two classes of mines and cycle companies are very imperfectly represented. Between 1888 and 1898 no less a sum than ninety-two and a-half million pounds sterling was invested in breweries and distilleries, including some foreign undertakings. The capital of private gas undertakings is £50,000,000, of tramways £15,000,000, and of electric light companies £13,000,000; while the capital invested by municipalities in similar works and raised by loans is nearly £27,000,000. There are also 42 steamship and shipbuilding companies with quoted issues of £24,958,000; 80 iron, coal, and steel, £46,140,000; 14 docks and harbours, £24,823,000; and 404 other commercial and industrial companies, £196,111,000.[2]

Accumulated experience proves that the theoretic objections to the company system on the score that the

[1] *The Economist*, 3rd Sept. 1898. [2] *Investor's Monthly Manual*, Nov. 1900.

management would show less energy and economy than similar private businesses are either unfounded or counterbalanced by greater advantages. Talent is in the market, and can be bought just as labour is bought. The company system has produced a better organisation within each business unit, with corresponding specialisation of function. A company which works on a sufficiently large scale permits, or rather demands, a more effective division of control or management than a small firm, and can afford to pay for it. There is a vast commercial civil service—the "black-coated proletariat" of Socialist gibes—rising in grade above grade from the copying clerk to the general manager, and conscious of its existence as a class, heterogeneous within, but different both from the workman and from the capitalist. And although its members have lost the expectation of "setting up in business for themselves," that Early Victorian incentive to industry, they yet, on the whole, feel themselves to be on the side of the capitalist; the industrious apprentice or aspiring office-boy may not become a merchant himself, but he may reach the dignity of secretary or manager. With an appropriate organisation of the lower ranks, the managers are left free to devote themselves to the most important questions of business policy, and they have the invaluable assistance, which no private business man can have, of advice and criticism from directors who are generally themselves men of wide and varied experience in different fields of industry. Taking both systems, the individual and the company, at their best, the latter has the advantage of commanding a greater stock of personal ability; and where the highest level is not attained, the company management is under the constant pressure of its shareholders for dividends. When, as is generally the case in industrial companies taking over existing businesses, the managing directors—whether the former owners or not—hold a large amount of shares, all the advantages of personal interest are retained. Economic critics have in fact always made the great mistake of

neglecting sentiment; and just as they took no account of an old-established business man's sense of honour and feeling of responsibility towards his business as if it were a sentient being, so they have never paid any regard to the class feeling and self-respect of a manager or secretary. In these days, when one of the main duties of the supreme heads of a business is to be judges of men, the subordinate who tries to earn his salary with the minimum of labour is apt to find that he is left behind in the race, and that his conduct, though based on the economic principle of laziness, is nevertheless subject to the economic condemnation that it "doesn't pay." The final result of the joint-stock company, that efflorescence of capitalism, is to destroy the old justification for the private capitalist. The typical capitalist of to-day is not the *entrepreneur* but the shareholder, and instead of receiving wages of management he pays them. An industrial society based on the supposition that the desire for private gain was the only effective motive for action has thus lost one of its chief supports. At the beginning of the century individualism stood conqueror in the industrial arena; we are now watching its suicide.

In competition joint-stock companies possess all the advantages which any large firm has over its smaller rivals, with the additional gain of attracting public confidence by the publicity which attends its transactions. As already pointed out, they put the control of capital in the hands of men of business ability, who would otherwise be confined to subordinate situations by lack of opportunity, and the private undertaking conducted by men of second-rate faculties must therefore needs go to the wall. The mobility of capital is much increased by the modern method of the aggregation of small savings and their direct application to industry, which is more attractive by its larger profits than the old plan of depositing moneys in banks at low rates of interest, afterwards to be loaned out to private business men. Joint-stock companies have played a great part in all cases

where a sudden large demand has been made on production, as in the great recuperative efforts of industry after the American Civil War and the Franco-German War. Undertakings involving risk or a large expenditure of capital before a return can be made, such as the exploitation of mines and the development of patents, would be almost impossible did not the company system permit speculation on a large scale by spreading the risk of loss over a great number of individuals.

With all these advantages, the joint-stock company has proved itself to be a higher form of organisation than the private firm, but the examination of its working cannot stop with this approval. Increased mobility of capital accentuates competition and facilitates over-production. Some form of company speculation has attended every commercial crisis of the century. In 1824-25 there was a mania for insurance companies and for foreign loans and investments; in 1834-36 for railways and banking; in 1845 for railways; in 1857 for finance companies; in 1863-66 for finance, banking, and mining companies; in 1873 for railways; in 1892 for building companies; and in 1893 for banks and finance companies. A few examples will make clear the method of working. In the early "seventies" the screw-propeller and the compound marine engine revolutionised ocean traffic; and as freights were based on the old scales appropriate to sailing-vessels, profits were high. Fresh capital was speedily attracted, and it took the form of shipping—frequently single-ship companies. Persons quite unacquainted with mercantile affairs took advantage of the tempting dividends to collect capital from all quarters, and to give large orders for the construction of "tramp" steamers. Shipbuilding boomed, but competition inevitably reduced freights; and as the earnings of the shipping trade declined, competition in other industries was stimulated. When depression in trade came in 1885, the carrying capacity of the mercantile marine was far beyond the world's

requirements, and both then and again in 1893-98 freights fell beyond the paying level, with a corresponding reaction on shipbuilding. Events took the same course in the cotton industry. Witness after witness before the Royal Commission on the Depression of Trade and Industry in 1885-86 deposed that the long depression in the cotton trade was mainly due to the constant intrusion of new companies with fresh capital and improved machinery, whose competition for markets already fully supplied necessarily ended in over-production. In both cases, however, a severer financial crisis was averted by the nature of the joint-stock company system, which spread the loss over a wider area, and when a crash did come, by limiting the liability of shareholders to the extent of their holdings, distributed a part of the loss among creditors. Companies are not only more efficient in competition than private firms, but they are better able to weather financial storms.

The conversion of private businesses into companies is now a matter of every-day occurrence, and when they have been long established and well managed the operation is usually satisfactory both to vendors and shareholders. But the publicity given to their success invariably induces the repetition of the process until the field of enterprise is hopelessly overcrowded; and even if the earlier companies hold their own, the later ones are swamped by their own competition and over-production. Of course, in the long-run the public is responsible for its own gullibility and want or foresight, but its display of these qualities would be closely restricted if the commercial system did not offer unexampled facilities for their application. The booms in nitrates, tea-planting, cycles, indiarubber, and jarrah-wood companies are instances well within the recollection of every one, but the cycle collapse has been perhaps the most prominent. While tea and coffee plantations have absorbed some four million pounds, and jarrah forests about half that amount, the cycle industry has attracted over twenty-five millions sterling.

The companies were all enormously over-capitalised, and in order to pay respectable dividends on their inflated values all had to increase their output, flood the market with machines, and accumulate large surplus stocks. The glut was made worse by attempts to maintain prices, which gave a favourable opening to American competition. The boom reached its height in 1896-97, and since then the collapse has been progressive. At the end of 1899 the market value of debentures had fallen over 50 per cent, and twenty-three companies showed an average net profit of about 3½ per cent. Even from this moderate result deduction must be made, for, as *The Economist* of 10th December 1898 said, "The whole method of cycle finance appears to be, to put it mildly, unconventional," and some curious jugglings with the item of "good-will" appear.

The history of modern industry unmistakably teaches that the joint-stock company is a necessity, and yet we see that it increases competition, forces over-production, and reduces profits to the vanishing point. These are the results which accompany what we may term the legitimate action of companies. Graver problems must be faced when we consider the effects of company-promotion on commercial morality. From the passing of the Joint-Stock Companies Act of 1862 up to the end of 1898, 66,951 companies, with a nominal share capital of £5,533,857,000, were registered; but only 37.7 per cent in number of the companies, with 25 per cent of the capital paid up, survive. What caused this enormous mortality? Firstly, a handsome deduction must be made on account of companies which never get beyond the stage of registration, but attract so little response even from the most credulous of publics that their promoters, however enthusiastic or acquisitive, can proceed no further. Such, for example, were the "Common Fund," registered in 1869, with a capital of £100,000,000, for dealing in metals and foreign securities, which brought in £200; "L'Association" of 1882, for undertaking every kind of business,

trade, or profession on a capital of £12,000,000, which attracted £140; and the Indo-European Railway of 1884, which secured no offers for its proposed issue of £12,000,000. These ridiculous grandiosities are the mere froth of the Stock Exchange, and if they alone had to be dealt with our equanimity need not be disturbed. Unfortunately this is not so. Under the Act of 1862 a company could voluntarily go into liquidation, but the Companies Winding-Up Act of 1890 transferred the compulsory winding-up of a company on the petition of a creditor from the Court of Chancery to the Board of Trade, and provided for public examinations and annual reports, from which much painful instruction can be derived.

In his very first Report (159 of 1893, House of Commons) the Inspector-General in Companies Liquidation was driven to make the following generalisation:—"The general conclusion to which an impartial observation of the facts necessarily leads, is that under the Companies Acts, a wide field has been opened up for the prosecution of objects of a more or less fraudulent character, which did not exist prior to the passing of these Acts, and which would be practically impossible in the case of individuals, of private partnerships, or of unlimited companies." And again, in his Seventh Report (337 of 1898), speaking of the liquidations of 1897, he says, "I do not think that more than two or three out of the list can be described as failures due to unavoidable circumstances, or to the fluctuating conditions of trading business." The chief causes of failure are thus set forth in the First Report: "A considerable number of cases are those of companies which were formed to take over existing private businesses *which were either yielding no profit, or were actually insolvent at the date of the transfer*, and these companies therefore never had a chance of success. This course furnishes an easy method of escaping from the inconvenience and penalties of the Bankruptcy Court, and experience shows that such transfers are not difficult of accomplishment. . . .

Another class is that of companies formed to acquire and work some concessionary or patent right, which derives its supposed value chiefly from the monopoly attaching to its use rather than from any proved intrinsic value. In such cases there is generally a wide field for the exercise of the imagination, in determining the value of the rights to be acquired by the company, and the price to be paid for them. . . . Another class of cases includes companies formed to purchase existing businesses of a more or less *bonâ fide* character, but at an extravagant price. In these cases the vendors not only nominate the other members of the Board, but themselves as a rule become the managing directors, in which case their position is one of extreme influence. . . . Where an old-established business is converted into a joint-stock company upon an honest basis and upon reasonable terms, there can be no doubt that this continuity of management is greatly in favour of its success, especially where the managers hold a large stake in the company as an equivalent for the transfer of *bonâ fide* assets. But this very fact increases the temptations to an over-valuation. The desire to make it appear to the public that the vendor is taking a large interest in the venture too often leads to his taking such interest in the form of paid-up shares, in addition to and after the full value of the property has been provided for by means of cash and mortgages. . . . Nor is it merely that the practice is liable to abuse by the sale to the public of a *bonâ fide* business at an exorbitant rate, but in a large number of the failures to which I refer, the real evil lies in the fact that the transactions were entered into by the company under circumstances and conditions which made it practically impossible to succeed, and which therefore involved a practical fraud upon the shareholders. . . . And these results are brought about not by mistakes on the part of capable and independent trustees representing the interests of the shareholders, as the law assumes directors to be, but by men absolutely devoid of any qualifications for forming an independent

judgment, selected and nominated by the vendor in his own interests, often paid by him directly or indirectly by means of gifts of shares or of money, and acting throughout under his influence and control. . . . Again, some of the companies were formed merely for the purpose of carrying out *an idea*, not accompanied by the acquisition of any property or rights —sometimes an idea involving great benefit to the community if it could be properly carried out. The failure of such companies does not show that the idea in itself was erroneous, but merely that the means adopted were unsuitable or insufficient. . . . A very few of the companies were old-established concerns, which had proved prosperous for a time, but which had collapsed through mismanagement, not unfrequently accompanied by fraud."

In his Seventh Report the Inspector again reviewed the abuses of company law, finding that they had increased rather than diminished. Defective and misleading prospectuses; biassed and insufficient valuations; impecunious, ignorant, and incapable directors; allotment on insufficient capital; over-issue of debentures in fraud of creditors; neglect of audit and balance sheets—all these "objectionable features" were symptomatic of "a vast mass of unhealthy enterprise, small perhaps in the individual importance of its units, but large in its aggregate, widespread in its influence, and acting as an injurious leaven upon commercial morality." A decision by the House of Lords requiring a direct charge of fraud to be made by the Official Receiver before a public inquiry could be held, deprived the Act of 1890 of much of its value. The desire to avoid any official investigation led to a marked increase in the number of voluntary liquidations. There has consequently been a remarkable growth in the creation of fictitious capital to be issued to the vendors, in order that complete control of the undertakings and the determination of their fate may be vested in them. Whereas in 1892, in all liquidations, the capital held by the public was £27,218,220, compared with

£15,261,860 issued to vendors, in 1897 the share of the public was almost stationary at £26,747,784, while the holdings by vendors had risen to £26,799,894.

The Hooley catastrophe and the disclosures which ensued aroused the public to a sense of the degradation of commercial life which had sprung from company-promoting, and particularly to the utter valuelessness of even the most gilded list of directors as a protection for investors. In severely moderate terms the Inspector in his Eighth Report (331 of 1899) formulated the following charges, containing features "typical in many respects of a large group of companies, more especially of those formed for industrial purposes"—and consequently of those most interesting to us:—"1. The total absence on the part of many directors responsible for the issue of prospectuses of any sense of their obligation to use reasonable care in verifying the statements contained therein, either by personal investigation or by the employment of independent agents. 2. The readiness of such directors to accept illegal pecuniary benefits, with or without the consciousness that in concealing such gains from the general body of shareholders they are acting dishonourably or violating their fiduciary obligations. 3. The power of a promoter, under the Companies Acts, to make use with impunity of ignorant or incompetent directors as tools in carrying out contracts by which he personally benefits. 4. The power at present possessed by directors to vary the conditions set forth in the prospectus without the knowledge or assent of the subscribers for shares."

These official expositions of the evils which flow from the substitution of anonymous trading for personal responsibility, and the opportunities thereby afforded for the acquisition of gain without publication of dishonour, are a remarkable condemnation of that latest flower of modern commerce, the company-promoter. But the subject cannot be left without quotation of the scathing words of welcome

which Lord Chief Justice Russell addressed to the Chief Magistrate of the greatest commercial city in the world, on Lord Mayor's Day, 9th November 1898—words which make that day one of note in the annals of the city of London, a day to which citizens in the future will look back and esteem that times of sack and siege reflected more honour on them than the growth of commercial methods which deserved such characterisation. He spoke of a "class of fraud which is rampant in this community—fraud of a most dangerous kind, widespread in operation, touching all classes, involving great pecuniary loss to the community, a loss largely borne by those the least able to bear it, and even more important—much more important—than this, fraud which is working insidiously to undermine and corrupt that high sense of public morality which it ought to be the common object of all interested in the good of the community to maintain—fraud blunting the sharp edge of honour and besmirching honourable names. I need not tell you I am alluding to the frauds practised in abuse of the law relating to the formation of companies with limited liabilities. That has effected much good; its object was to enable that to be done by honest co-operation of the many which could not be done by the unaided efforts and resources of one or of few. But it has been, I am sorry to say, in many cases—of course a minority, and I hope a small minority of cases, but still a minority deserving and demanding public attention—prostituted by the greed of unscrupulous persons in the hurry to obtain great wealth, without being willing to put forth for its acquirement honest toil and honest endeavour."

The pecuniary losses from company failures are heavy. In the six years (1893-98) for which complete figures are available, the loss to creditors and contributories in those cases which were compulsorily wound up under the Act of 1890 amounted to £27,712,709. There is no accurate statement of the losses in voluntary liquidations (many of

which involve no loss, being of a formal character); but working on the imperfect figures obtained by the Inspector as to the cases of 1896, we can estimate a loss of £130,000,000 in the same six years. Or altogether there is a probable annual loss of £26,300,000 in company liquidation, and these figures, large as they are, do not include the enormous losses caused by the fall of shares, subscribed at par, to a mere fraction of their nominal value.

It is, however, always possible to take more than one view of any phenomenon, and Lord Chancellor Halsbury expounded to the Liverpool Chamber of Commerce another view of company losses. "You might," he said,[1] "just as well repeal the laws of property altogether because you cannot prevent stealing as to make laws which shall prevent the existence of joint-stock companies with freedom and with the power of doing what they have been doing most usefully in the way of developing great schemes, because you find one per cent—I don't believe it is one per cent, but a quarter per cent—of joint-stock companies in this country occasionally attacked as showing that they have not succeeded in getting the enormous amounts of profits which from time to time extravagant prospectuses have promised to the people who have been misled by them." Such a complacent attitude of mind may explain the delay of the legislature in meeting the demands of the investing public for reform, but it completely misses the whole question at issue. Not the absolute mass of fraud, which may be small in proportion to the whole, but its power of disturbance is the serious thing. This matter was weightily dealt with by the Inspector-General in Bankruptcy in his Twelfth Annual Report (418 of 1895) with reference to fraudulent bankruptcies. He said: "The direct losses sustained by creditors in these cases do not, I think, constitute their chief evil. The mischief done by irresponsible competition is far more serious. For the economic laws which underlie the opera-

[1] *The Economist*, 4th February 1899.

tions of commerce largely lose their force when the sense of responsibility is withdrawn from commercial transactions, and it can hardly be doubted that the sense of responsibility is greatly weakened, and in many cases destroyed, when a debtor, finding himself insolvent, plunges into reckless operations, his main object being not to conduct his business on recognised principles of prudence and honesty, but to gamble at the risk of others than himself, or perhaps merely to create new means of obtaining financial accommodation at any cost to those with whom he deals. To such a trader it matters not that the produce which he purchases on credit has to be sold at prices lower than those at which it was bought, and the records of insolvency show that a course of unprofitable trading may be carried on for years by men who know that they are insolvent, before it is terminated by bankruptcy. It is impossible to estimate the effect on the markets of the world of such a course pursued by even a small number of reckless traders. But it can hardly be doubted that it has an important bearing on the prices of general commodities. It is alleged, and apparently with good grounds, that the operations of speculators in what are termed 'futures,' *i.e.* operations which are not based upon actual deliveries of produce, but on mere contracts to deliver at some future date, and which are settled by the receipt or payment of 'differences' when the date for delivery arrives, have tended, by the unnatural competition which they create, to depress the price of commodities below their natural level, the actual holders of such commodities being powerless to contend against these purely speculative influences. But however injurious such operations are, through the interference which they occasion with the normal action of the laws of supply and demand, they are, after all, controlled by self-interest, and the speculative dealer in time-bargains is not likely to reduce prices by forcing the sale of his nominal wares below the point at which he believes he can replace them by real purchases if required. But the

unscrupulous insolvent trader is governed by no such considerations. When once he has realised the hopelessness of his position, all prudential considerations disappear, and the distinctions which the law draws betwixt the trader who ceases to trade on realising his insolvency, and the trader who only makes that discovery the starting-point for a fresh career of reckless operations, are too slight to act as a real check upon such a course. The prices of commodities are thus largely determined not by the natural laws of supply and demand, but by the action of a comparatively few reckless competitors who have nothing to lose, but everything to gain, by carrying on business transactions even at a loss. The far-reaching effect of such influences is incalculable. The prudent merchant who restricts his business on discovering that, notwithstanding all the skill and industry which can be brought to bear upon its management, it cannot be conducted at a profit, finds that his self-denial is thrown away as regards any hope of placing the market upon a normal foundation. The manufacturer who has established a new market for his productions finds it suddenly removed from his reach by unscrupulous competition, or is compelled himself to resort to the very practices which have undermined him, and to continue manufacturing at a loss, at the cost of his creditors, in order to postpone his own collapse. On the other hand, it appears certain that the present bankruptcy laws have tended considerably to decrease this evil."

Working on the official figures of failures with liabilities of twenty thousand pounds and upwards, we may conclude that the amount of money involved in bankruptcies arising out of ordinary trading is 37.6 per cent of the whole; in those caused by financial and speculative enterprise apart from ordinary trading, 47.1 per cent; in those caused by extravagance and gambling by persons of no occupation, 10.7 per cent; and in all other cases, 4.6 per cent. The average annual loss to creditors in all cases of insolvency under the

Bankruptcy and Deeds of Arrangement Acts for the period 1888-98 is £8,686,340, a sensible addition to the company losses already noted. This glimpse into the shady side of modern commerce leads us to look more closely into some moral aspects of private trading, remembering that whatever evils may appear will be enhanced in the case of companies under the screen of anonymity.

Writing in the *Times* of 12th September 1896, Sir Edward Fry formulated the following weighty indictment:—"If one inquires whether the morality exercised in the conduct of business in this country is satisfactory or not and answers this question from the sources of information open to the public, I fear that the answer must be in the negative. Let me enumerate some well-known facts. 1. Over-insurance of vessels. We know the efforts which have been made to check this evil, but he would, I fear, be a sanguine and credulous man who believed that the evil had disappeared; and when one considers how nearly this sin approaches to the crime of murder, this consideration is startling. 2. The bad and lazy work too often done by those in receipt of wages—who give not their best but as good as they think fit. 3. The adulteration of articles of consumption—to check which a whole army of inspectors and analysts has been called into existence and has to be maintained, and yet much probably remains to be wished for in this respect. 4. The ingenuity exercised in the infringement of trade-marks and the perpetual strain exhibited by rival traders by some device or other to get the benefit of the reputation or name of some other maker or firm. 5. A whole class of frauds exists in the manufacture of goods by which a thing is made to appear heavier or thicker or better in some way or the other than it really is. In these cases the first purchaser from the maker is often as fully cognisant of the truth as the maker himself, and the deceit is designed to operate on the ignorant ultimate purchaser. Lastly, but not least, bribery in one form or the other riddles and makes hollow and unsound

a great deal of business, including transactions in which the professions of engineers and architects are interested. Sometimes the bribery is effected by the payment of a single sum, more often under the name of a commission or by way of percentage; sometimes pickings are secured under the form of a royalty on a worthless patent or stipulations as to the firms from which articles are to be obtained for use in the work to be done."

An interesting commentary on this indictment is afforded by the German Law against Unfair Competition, passed in 1895, which shows that Sir Edward Fry's charges cannot be limited to one country, but describe features common to trading all over the world. It runs: "Whoever undertakes in business intercourse to create an appearance of a specially favourable bargain by incorrect statements as to the condition or the price of goods, the origin of goods, the possession of awards, the quantity of stock, or the reason for the sales, may be sued and compelled to cease making these false statements. Whoever undertakes by public notices or communications addressed to a large circle of readers, by knowingly making false statements as to the condition, price, or origin of goods, the possession of diplomas, or the reason for sales, to create the appearance of a specially favourable offer, is to be punished by a fine not exceeding fifteen hundred marks, or by detention or imprisonment not exceeding six months." These provisions would strike severely at those numerous tradesmen who habitually sell certain lines of goods below cost price in order to attract custom, or whose glaring bills announcing the "Sale of an Immense Bankrupt Stock" are an offence to the eyes of passers-by. Such practices indeed are punished under the German law; and more, the shopkeeper who advertises "small profits and quick returns," or that his large stock enables him to sell at reduced prices, must be prepared to prove his statements if he desires to avoid coming before the courts.

Bribery is perhaps the most serious form of dishonesty

both in its widespread character and in its deleterious effects on commercial morality. The London Chamber of Commerce appointed a Special Committee to inquire into the extent and nature of the evil, and that body, after obtaining information from chambers of commerce, trade associations, and the general public, presented its report in March 1899, coming to the following important conclusions:—"1. Your committee conclude from the evidence before them that secret commissions in various forms are prevalent in almost all trades and professions to a great extent, and that in some trades the practice has increased, and is increasing, and they are of opinion that the practice is producing great evil, alike to the morals of the commercial community and to the profits of honest traders. 2. Bribes in all forms, including secret commissions, owe their existence sometimes to the desire of the donor to obtain the assistance of the donee; sometimes to the demand expressed or implied of the donee that the bribe shall be given. 3. In the first class of cases your committee have reason to believe that the bribe is often given unwillingly and with a pang of conscience, as the result of the keen competition in trade, and in the fear, too often well founded, that unless given other less scrupulous rivals will obtain an advantage; many cases have come before your committee in which traders have believed (often, though not perhaps always, without reason) that their entire failure to obtain orders has been due to the want of a bribe. 4. The second class of cases are those in which the recipient extorts the bribe from those who have established business relations with his principal. This practice is rendered more effective and oppressive by a combination between the blackmailers. The servant or agent who demands a commission and fails to receive it not infrequently warns his fellows in the same position in the trade against the honest trader, who thus finds himself shut out from dealings with a whole circle of firms."

It is not necessary to comment on these statements. Sir

Edward Fry and the London Chamber of Commerce have laid bare a mass of corruption the heinousness of which can no longer be concealed. Its destructive effect on the "natural" law of supply and demand cannot be questioned; or if it is true, as the Inspector-General in Bankruptcy has pointed out, that a few reckless traders can paralyse the ordinary working of the commercial system, the much greater mass of dishonest dealing must have a many times more baneful result. These illicit tricks and elaborate frauds have brought competition to the lowest depths of degradation, involving even traders who would fain be honest. This view behind the scenes of modern trade may be fitly closed with the words of Herbert Spencer: [1] "It has been said that the law of the animal creation is, 'Eat and be eaten'; and of our trading community it may similarly be said that its law is, 'Cheat and be cheated.' A system of keen competition carried on, as it is, without adequate moral restraint, is very much a system of commercial cannibalism. Its alternatives are, 'Use the same weapons as your antagonist or be conquered and devoured.'"

[1] *The Morals of Trade*, p. 50.

CHAPTER VIII

THE GROWTH OF COMBINATION IN INDUSTRY

THE history of competition, so far as we have traced it, has disclosed a persistent movement towards reduction of prices and profits. With each fall the struggle has become more keen, manufacturers striving to make up for the lower rate by a larger turnover, and the consequent over-production has led to another decrease. Competition, like the scorpion of fable, is stinging itself to death. The straining after a larger output, the demand for more productive machinery, the search for labour-saving processes, all require larger increments of capital, and there is a steady growth in the size of the business unit. Of course, no statistics can be given to show the amount of the change, but it is a matter of general knowledge. On all sides evidence is at hand, showing that the great mass of the trade and manufacture of the country is passing into the hands of a diminishing number of people. The growth of the joint-stock company system is one such proof; the figures of the bankruptcy returns afford another. To take one trade only, the *Boot and Shoe Trades Journal* of 27th May 1899 remarks (p. 767) that "any one who has carefully studied the financial columns of the *Journal* during the past year must have been impressed with the large proportion of small retailers who have been compelled to consult their creditors and compromise for the payment of their debts"; and the editor adds

(p. 752) that "the number of manufacturers is being steadily reduced." Another very rough indication may be taken from the defective statistics of textile factories. Lumping all kinds of factories together for all the textile trades, we find that in 1870 there were 6692 spindles, 89 powerlooms, and 133 workpeople per factory, whereas in 1890 there were 7461 spindles, 114 powerlooms, and 151 workpeople. These figures at least show that the growth has not been confined to the period when great inventions were made every day.

The ordinary economies of large businesses—in management, in supervision, in organisation, in the use of costly machinery, in better control over sales, in avoiding expensive advertisement, in domination of the raw material market—have all played their part in achieving the elimination of the small maker and trader. But competition between the giants of manufacture and commerce has continued with redoubled vigour, receiving an increasing impetus from the pressure of foreign competitors; and we can observe two further movements towards concentration, one which may be called the integration, the other the congregation, of industry. In the former case the trades ancillary to the main industry are added to the factories which they serve. The cobbler no longer sticks to his last. Nowadays, a manufacturer makes in his own workshops the subsidiary articles which he would formerly have ordered from independent makers, and saves the intermediate profits. A great engineering company boasts that it can turn out a battleship ready for sea "in every respect"; a large mustard-making firm prints its own labels; a railway company not only carries on its natural business of traffic, but builds its own engines, waggons, and carriages, does its own upholstery work, prints its own tickets, and, after mangling its employees, provides them with artificial limbs of its own manufacture. The movement goes still farther and aims at the suppression of the middlemen between the manufacturer

and the retailers. Where the retailers are few and deal on a large scale, this elimination can be brought about with advantage; but where the dealers are small and numerous, the maintenance of an army of travellers and agents eats away the saving. In some cases, notably in the liquor trade, the manufacturer strives to convert the retailer into a mere agent; and in Liverpool, for example, 90 per cent or more of the licensed houses are the property of some six or seven large brewery firms. Other industries of recent growth, like the cycle and sewing-machine trades, can even dispense with the retailer and sell directly to the consumer; and the farming and fishing industries make sporadic efforts in the same direction. Retailers, indeed, are becoming alarmed at the progress which manufacturers are making in direct trading; and at the conference of the Ironmongers' Federated Association (which includes forty associations and six hundred members) on 26th April 1900, a resolution was carried urging the withdrawal of support from such manufacturers. The movement extends backwards as well as forwards, and we can see the manufacturer striving to get the extraction of the raw materials into his own hands. This is most notable in the case of large iron and steel smelters, who have their own mines from which they raise the iron and coal which they require; in Germany the ironmasters are buying up mines to free themselves from the control of the Coal Syndicate. Some large grocery firms possess their own tea and coffee plantations. We seem, in fact, to be on the eve of a vast integration of industry which will place all the processes of production, from the extraction of the raw material to the retail sale of the finished product, in the hands of the same set of persons, who face the consumers with no intermediate agents. Another form of integration of industry to which the joint-stock company system lends itself is exemplified by the following extract from the prospectus of Pease and Partners: —"Several of the directors of the Vendor Company are also

directors of or shareholders or partners in other important companies or firms on the East and West Coasts, in which they hold a considerable, and in some cases a preponderating, interest, and trade contracts have been for many years entered into, and are now subsisting, with such other companies and firms, to the mutual advantage of the parties to such contracts."

The second phenomenon, which we have called the congregation of industry, is to be observed chiefly in retail businesses, where the sale of all kinds of products is carried on in the same establishment. This movement began with "the Stores," founded in imitation of the co-operative societies; then came their gigantic rivals Whiteley's, Spiers and Pond's, and others; and now they are copied on a smaller scale by the "Bon Marchés" of the minor suburbs. These institutions have been the most deadly rivals of the small traders, who for a long time in this country sought to induce the Government to purloin the profits of the Stores by an illegitimate application of the Income Tax Act. The same movement and the same counteraction is now going on in Germany, where a grandmaternal Emperor is trying to come to the assistance of the Prussian shopkeeper by stopping the march of economic progress with penal taxation. There is, however, this distinction between integration and congregation of industry, that the former aims at the suppression of middle profits, while the latter seeks to attract a large amount of custom by purveying for a vast variety of wants.

Notwithstanding these developments, competition still hustles competitors along the down grade, and we find, for instance, the Stores suffering from their suburban rivals. There is a steady exertion of economic pressure, beginning with the consumer and concentrating on the manufacturer. The consumer in regard to the retailer is in the strong position of not being bound to buy from any particular person or at any particular time, whereas the retailer must

have a steady flow of sales or shut up shop. The customer again has not got the technical knowledge requisite to determine the qualities of competing articles, or even to discriminate between the real and the imitation, between linen and linenette, and must either trust to the often doubtful guarantee of a well-known name or brand, or else take refuge in selecting the cheapest article. Nay, if he is a person of small income—and these after all constitute the immense majority of the population—he will find it convenient to buy a cheap article if it only lasts half as long as a better article at double the price, for of necessity his individual payments must be small. Retailers are thus driven to a constant reduction of prices in order to secure custom, and at this point in the industrial field we find competition to be keenest and bankruptcies most numerous. The shopkeepers in turn are the customers of the wholesale dealers, and occupy the same strategic position which the consumer occupies towards them. They beat down the prices at which they purchase their supplies, or if they deal on a sufficiently large scale they go direct to the manufacturer and play him off against the dealer. Finally, the wholesale agents transfer the pressure to the manufacturer, and there it tends to stay, forcing down wholesale prices and diminishing the profits of production. Not that manufacturers are content to be squeezed, but so long as they compete they can make no resistance. Their first thought is usually to make a cut off wages, but public opinion and the well-filled war-chests of the trade unions interpose an obstacle. They pertinaciously seek out new markets where the wicked may cease from troubling and profits may accumulate, but the agile foreigner makes his entrance through the open door and profits vanish. Besides, the surface of the globe is limited, and the dread of international complications induces the Foreign Office to interfere with British enterprise in Morocco and elsewhere. Scarcely any industry in this country can command a good profit unless

it is protected by a patent or trade-mark, but new inventions speedily make the old ones obsolete, and proprietary articles are displaced by others which take the public fancy.

Driven from their last entrenchments, the producers are compelled to make common cause against their common opponent the consumer. Competition is good enough so long as profits can be extracted from the pockets of fellow-competitors; but when that becomes impossible, competition ceases to be good. After all, men are in business not to exhibit the "natural" laws of economics but to make an income, and it is a poor consolation to a bankrupt to know that he has been overwhelmed by a stream of tendency. The century-old fight between Competition and Association has ended in the competitors stealing the enemy's ammunition. Competing manufacturers now associate themselves together to limit the workings of competition and to oppose a barrier to the decline of profits. This is the dominant feature of British industry to-day.

Combination of manufacturers takes many forms, but in all of them it represents a tendency towards monopoly. Either one man, a section of a trade, or the whole trade in union strives to obtain a complete command over the market. We have long been familiar with employers' associations, which aimed at controlling the conditions of labour and influencing the legislature, and the successes of these organisations have helped to teach manufacturers the advantages of union. Further lessons have been obtained from attempts to secure a temporary domination of the market, but those "rings" and "corners" have always been of short duration, dissolving as soon as their object had been obtained. Some of them, like the Cotton Corner, have been defeated by the aid of the operatives, who were willing to work short time; others, like the Flour Corner, by the refusal of the co-operative societies to join; others by sheer miscalculation, as in the case of Mr. Leiter, who, after amassing a paper profit of five million dollars in "cash wheat," conceived

the foolish notion of "bulling" future wheat in an extraordinarily productive season. The numerous failures in such attempts to obtain a temporary monopoly have led to the delusion that such an organisation as the American Trust could not flourish on British soil. Those speculative ventures, as a matter of fact, are not in the line of economic development, and are only of importance through the disturbance and inconvenience which they cause. More significant are organisations like the London Flour Millers' Association, which meet periodically to fix prices; and they are to be found in many industries. Rising above them we find many forms of combination to control the conditions of production, culminating in the emergence of gigantic corporations, with millions of capital, dominating the whole trade in which they exist. The evolution of these bodies we must now trace in some detail.

The reduction of the number of competitors to a manageable figure is a necessary condition precedent to the creation of monopolist combination. When there are a large number of traders scattered over a large area, and dividing the industry pretty equally among them, combination is much more difficult, and when it takes place is generally loose in form. Undertakings which require large initial expenditure of capital and the grant of special powers from Parliament or a municipality, such as gas, water, electric light, tram, railway, and telephone companies, are the earliest to assume the monopolist phase, since the exclusion of competition, at least within certain localities, is of the very essence of their nature. Where a monopoly is not conceded at once, a private agreement is easily concluded, such as took place long ago between the London Water Companies after the bill for their amalgamation was rejected by the House of Commons. When railways were first built it was supposed that they should serve as roads on which any one could do his own haulage, but the companies very soon took all the traffic under their own management. The next step was the

union of numerous small companies to make up the great "through lines." The London and North-Western Company, for example, has been formed out of some forty-five companies. But while Parliament allowed each company the sole right of tapping the resources of the districts immediately adjacent to its line, it always carefully refrained from allowing such an amalgamation as would leave a large section of the country entirely at the mercy of one company. This salutary rule was broken in 1899, when the South-Eastern and London, Chatham, and Dover Railways were united without the necessary precaution being taken of inserting in the bill clauses efficiently safeguarding the public interests. A long and costly struggle between the two companies, with much inconvenience to the public, preceded the union; and these circumstances repeat themselves in the case of two other companies, the Great North of Scotland and the Highland Railways, which are arranging for a joint working of their lines. It is to be hoped that the public experience of the southern monopoly will guide Parliament more wisely in guarding the interests of traders and passengers in the north.

Even where lines are independent and apparently rivals, the astuteness of railway managers has circumvented parliamentary axioms about the beauties of competition. The late Sir George Findlay, once General Manager of the London and North-Western Railway, has given an interesting account of the manner in which fares and charges are regulated.[1] "In days gone by," he says, "it cannot be denied that railway companies incurred great losses and sacrificed a considerable portion of their revenue by extreme competition amongst themselves, but in this matter, as in many others, they have gained wisdom by experience, and 'profited by the uses of adversity.' A certain amount of healthy competition will always exist; but the companies

[1] *The Working and Management of an English Railway*, pp. 265-267. Whittaker and Co., 1894, fifth edition.

now mitigate its severity by agreeing among themselves what the rates between competing points shall be by all routes. The competitive rates between most places in Great Britain are, in the main, governed by two Conferences, 'The English and Scotch Traffic Rates Conference' and 'The Normanton Conference.' The English and Scotch Conference is composed of representatives (who are usually the Chief Goods Managers) of all the companies, both English and Scotch, who are interested in the carriage of goods between places in England and places in Scotland by the various routes. These representatives meet once a month, and deal with all questions arising in connection with the making of new rates or the alteration of existing rates for competitive places between which more than one company can carry. The Normanton Conference, which was originally established to control the rate for a certain district of which Normanton, where its meetings were formerly held, was a convenient centre, has gradually so much extended its scope that it is now composed of representatives of nearly every company of any importance in England, and governs almost the whole of the competitive rates which are not dealt with by the English and Scotch Conference. The cross-channel rates between England and Ireland are controlled by an 'English and Irish Traffic Rates Conference'; and besides these three, there are some minor Conferences, which have been established in connection with the traffic of particular districts, but have not the importance of those which have been already alluded to. . . . There is another plan which railway companies sometimes adopt, in order to avoid the losses arising from competition, which is known as the 'Percentage Division of Traffic,' and which is carried out in the following manner. Supposing that there is a certain traffic to be conveyed between two towns or districts, and that there are two or more railway companies, each having a route of its own by which it is enabled to compete for the traffic. An agreement is come

to that the receipts derived from the whole of the traffic, carried by all routes, shall be thrown into a common fund, and that each company shall be entitled to a certain percentage of the whole. . . . The percentages are usually adjusted on the basis of past actual carryings, but in settling the terms of the agreement due weight is accorded to any prospective advantages which may entitle one company to claim a larger proportion than it has carried in the past. An agreed allowance for working expenses is made to any company carrying more than the percentage allotted to its route, but, as this allowance is fixed with due regard to the actual cost of the service, it will be perceived that there is no very great inducement for any company to carry more than its share. Let it not be hastily concluded that an agreement of this kind is opposed to the interest of the general public, for it may safely be asserted that in the long-run it is a mistake to imagine that the public are the gainers by an extreme course of competition between two railway companies. If the contest is waged to the bitter end, the public may enjoy low rates for a time, but the result must be the 'survival of the fittest'—or, rather, the strongest—and the latter, becoming masters of the situation, will naturally seek to recoup themselves for the severe losses they have sustained during the progress of the struggle. Meanwhile, neither of the competitors will have been in a position to perform the services they would have undertaken in as efficient a manner as would have been the case if they had been working with a fair margin of profit. The only competition from which the public can reap a real and lasting advantage is that of two companies carrying at fair and remunerative rates, and each seeking to attract business to its own railway by performing the service to the public in the most efficient, safe, and expeditious manner."

Ocean traffic is just as little free as land traffic, and is similarly controlled by "conferences" or agreements between rival shipping companies, the combination, in this instance,

outstepping the bounds of nationality and embracing in the same union English, French, German, and Dutch ship-owners. The agitation conducted by the British Iron Trade Association has now made the public pretty well familiar with this method of conducting foreign trade, but when it was first disclosed it came like a thunderbolt on the worshippers of competition. It had its inception in the China trade, and the two following circulars exhibit the method of working. The first, dated 10th May 1884, runs: "To those exporters who confine their shipments of tea and general cargo from China to Europe (not including the Mediterranean and Black Sea ports) to the Peninsular and Oriental Steam Navigation Company's, Messageries Maritimes Company's, Ocean Steamship Company's, Glen, Castle, Shire, and Ben lines, and to the steamships *Oopack* and *Ningchow*, we shall be happy to allow a rebate of 5 per cent on the freight charged." The second, of date May 1885, reminds merchants that "shipments for London by non-conference steamers, at any of the ports in China or at Hong Kong, will exclude the firm making such shipment from participation in the return during the whole six-monthly period within which they have been made, even although the firm elsewhere may have given exclusive support to the conference lines." The Mogul Steamship Company was at first admitted to the conference, but, on being afterwards excluded, entered into a course of competition in which freights were forced down from sixty to twenty-five shillings a ton, and they were worsted. They then appealed to the courts, charging the conference lines with action in restraint of trade and contrary to public policy, and alleging "conspiracy and unlawful combination to bribe, coerce, and induce shippers to forbear from shipping cargoes by the plaintiff's ships." The case dragged on from 1888 to 1891, and ended in the defeat of the Mogul Company, whereon the *Times* (19th December 1891) made the quaint comment: "Regarded from an ethical standpoint, their" (the

conference) "conduct is at least open to question, and may certainly be said not to have been modelled upon the lines of the Sermon on the Mount. There is a great consensus of authority in support of the belief that trade is apt to develop a somewhat unscrupulous cupidity; and Bishop Earle, describing a shopkeeper in the seventeenth century, said, 'He will swear to you that he will use you as his brother, and that truly; for in his shop he would abuse his brother and think it lawful.'"

Despite the moral apothegms of the *Times*, the conference system soon extended to the whole of the Eastern trade, the Cape trade, the Australian trade, and, to an increasing extent, the American trade. By allowing rebates of 5 or 10 per cent, calculated over a trade of six months, the shipowners hold the merchants under control, for no individual can afford to lose so substantial a sum, while, by the superior weight of capital, new lines which start are either starved out or bought up. In defence of the system, the Chairman of the Peninsular and Oriental Company declared at the annual meeting in December 1897: "It was not possible profitably to carry on shipping business unless there was uniformity of tariffs settled by a 'conference' of the shipping companies. These conferences might be compared to the agreements which existed between the various railway companies of the United Kingdom. Railways charged identical rates when running between the same points, although they competed in speed, train accommodation, and general facilities. This was exactly what the steamship companies did."

It is enough here to note that the shipping industry is dominated by these international agreements; inquiry into their effects on British trade must be for the present postponed. But they only represent one step in the inevitable movement. The next step, the fusion of competing lines, was taken by the Castle and Union lines in February 1900. The joint capital of the united companies will be £2,000,000, and they will have a fleet valued at more

than double that sum, and other assets amounting to over £400,000. In relating the events leading up to the amalgamation, Sir Donald Currie said: "Under all the mail contracts into which the two companies have entered since 1876, they have been prevented from uniting their interests, and the result has been continual rivalry, friction, and opposition." But when the Cape Government at last accepted a new joint contract from the two companies, "it became necessary to consider how the joint contract could be worked in the most economical and efficient manner. Your Council have come to the conclusion that the objects in view can best be effected by the complete amalgamation of the interests of the two Companies." A few years earlier the three firms of F. Leyland and Co., T. Wilson, Sons, and Co. of Hull, and Furness, Withy, and Co. of Hartlepool united part of their business to form the Wilsons' and Furness-Leyland Line, with a capital of £650,000. In June 1900, F. Leyland and Co., having acquired the West India and Pacific Steamship Company, came before the public with a capitalisation of £2,800,000, and £500,000 in debentures. The debentures, all the ordinary shares of £1,300,000, and half the preference shares were reserved for the original shareholders in the two companies. The new company owns a tonnage exceeding 191,000 tons, and an interest of £150,000 in the Wilsons' and Furness-Leyland Line. The complete amalgamation of the East and West India Docks and the London and St. Katharine Docks, following on a working union of some years, is an interesting addition to these shipping combinations. Still later, in August 1900, the firm of Elder, Dempster, and Co. purchased for £900,000 the fleet of the British and African Steam Navigation Company, which they had already controlled and managed for twenty years. In this connection it may be mentioned that a company, Elder, Dempster Shipping (Limited), was formed the previous year, with a share capital of £1,000,000, of which only one-

half was issued, and that to the firm of Elder, Dempster, and Co.; and £600,000 debentures were issued to effect the purchase of seventeen steamers from the vendor firm.

So far as the transport services are concerned, we are driven to the conclusion that competition in the old sense of the term has ceased to exist; and turning to manufactures proper, we shall find the same opinion forced upon us. The history of British combinations is, however, a brief one, extending only over some twelve or fifteen years, and in the earliest period success was not very evident. The Salt Union and the United Alkali Company have long served the opponents of the movement as stock object-lessons on the impossibility of monopoly in a free-trade country. The former body was a union, formed in 1888, of sixty-four firms, who sold their businesses to the new company for £3,700,000. Its capital was £3,000,000 in shares and £1,000,000 in debentures, and its object was to "consolidate the undertakings of the salt proprietors of the United Kingdom, with a view to ending the reckless competition, which injuriously affects the salt industry without conferring any adequate advantage on the public." They expected a trade of 2,000,000 tons yearly, and by raising the price five shillings per ton they hoped for a dividend of 20 per cent on the ordinary shares. There seemed to be little fear of foreign competition, and for some time all went well and several more works were bought. The price of common salt, which had been three to five shillings a ton, was raised to seven shillings and half a guinea, and the prices of other qualities by 100 and 125 per cent. But these enhanced rates meant a heavy burden on industry, especially on the chemical trade, and attracted new saltmakers. Cupidity soon overreached itself, and as early as 19th October 1889 *The Economist* could show that, "having rigged the salt market, and advanced prices heavily, they find that they cannot maintain their export trade at its old level." Their deliveries declined from 2,000,000 tons to 1,354,000 in

1892, and the 20 per cent dividend to 5 per cent in 1890-92. Since then affairs have gone from bad to worse, and at the end of 1899 its £10 ordinary shares were quoted at 1⅛. The story of the United Alkali Company is somewhat similar. About 1884 the manufacturers of bleaching powder formed a voluntary association to reduce output and raise prices, but after lasting six years it broke down owing to causes inherent in the voluntary nature of the agreement. Thereupon the leading manufacturers transferred their businesses in 1891 to a company with a capitalisation of £6,000,000 shares and £2,500,000 debentures, the properties, etc., being valued at £6,851,500. They comprised forty-five chemical and three salt works, and afterwards bought up three competing firms. In addition, they controlled the Leblanc departments of five other firms, and had working agreements with several more. They controlled the Leblanc process of making bleaching powder, caustic soda, sulphuric and hydrochloric acids, etc., and their output of four leading chemicals was 83 per cent of the whole. They further hoped to make economies, and especially to reduce the cost of transit by supplying goods from the works nearest each particular market. Everything seemed to promise success, but foreign competition and the utilisation of rival processes proved too much for a company weighted with so much over-capitalisation. Its £10 ordinary shares have fallen to 2¾.

Since these early days, however, the history of combination has taken a different aspect. About eight years ago a movement was begun in the metallic bedstead trade which met with very great success, and has since been extended to many of the staple trades of Birmingham, including the manufacture of spring combination mattresses, metal and cased tubes, spun brass mounts and ornaments, rope and twine, metal-rolling, fenders, china door-furniture, china electrical fittings, galvanised sheet-iron, ironplate ware, coffin furniture, pins, marl, common building bricks, and jet and

rockingham (potteries) ware. These trades include five hundred masters and twenty thousand workmen, so that the experiment has had a fair trial. Mr. E. J. Smith, the inventor of the "Birmingham alliances," has given a valuable account of his plan in his book *The New Trades Combination Movement* (Rivingtons, 1899). The "first article of its creed" is that "no one ought to manufacture and sell an article without making a profit on the transaction." The underseller is a moral criminal, and "the effects of underselling do not stop with the underseller, or even with his creditors. He has probably succeeded in dragging a trade down to his own level. He has prevented honest men from gaining an honest living. He has flooded the market with an article for which, after all, there can be only a limited demand; he has injured, perhaps ruined, the competitors who wish to do a legitimate trade." The consumer who wants to buy at a loss to the producer is a "public nuisance" and a "curse to commerce." Manufacturers have often tried to enter into an honourable understanding to refrain from cutting prices, but even when a money penalty was imposed an advantage was always given to the dishonest trader. Under Mr. Smith's plan, when the manufacturers in a trade agree to come to an understanding on the basis of selling everything at a profit, the first thing to be done by the meeting is to take out the costs of making the goods, and in twenty trades only about a third of the members had any trustworthy knowledge of the charges. The system of cost-taking must be based on "the united experiences of all, and the consensus of opinion throughout a whole trade." "There must be compromises in several directions. The great advantage which a large capital gives must be retained as legitimate interest on capital only, instead of being given away for the purpose of flooding the markets with productions at selling-prices which cannot be charged by less fortunate firms without loss. Materials used in the processes of manufacture have their fair average market value, which

most makers have to pay. The purchasing of large quantities of material at one time, and to be paid for promptly, will no doubt make the buying-prices lower to the lucky capitalist, but whatever advantage is gained in this way should be regarded as interest on capital, and retained" (p. 27). When this common cost of production has been ascertained, price-lists are prepared by adding to the cost of each article the proper agreed portion of profit.

The second strong point of the plan is the method by which adherence is enforced. The employers enter into an alliance with their workpeople and sign a formal agreement to employ only members of the trade union, while the latter engage to work only for members of the masters' association. The existing conditions of labour are accepted as a minimum, and an immediate permanent bonus, usually of 10 per cent, is added to wages, which thereafter are regulated by a sliding scale according to profits. A conciliation board is formed, consisting of an equal number of employers and employed, with, if necessary, an independent arbitrator; "all questions as to rise and fall in profits, or the fixing of new prices, to be first submitted to this board, and all disputes between employers and employed to be referred to and settled by it." If a member of the "alliance" breaks away, his workpeople are called out by the board—as happened in one case in the bedstead trade in 1899—and are maintained from a fund raised by periodical levies from employers in proportion to the number of their workpeople.

The foreign competitor is regarded by Mr. Smith as far less dangerous than the home competitor. He may be willing to take the chance of getting a fair price, or it may be possible to come to some arrangement. Failing the acceptance of these alternatives, he must be forced to trade fairly "by well-arranged, careful, judicious, and systematic underselling, until he is compelled either to retire, or to come to terms." The use of another weapon is illustrated by the case of a trade which was seriously undersold by

foreign makers competing in some but not all branches. A rebate was offered to customers on all goods, provided they bought only from members of the trade association; and as they had so to buy some goods in any case, the offer was accepted. If foreign goods of sufficient quality were offered at a fair price, home makers had to make that article at or below that price or allow it to be bought from a foreign house. "Competitive goods were sold at a loss while others were sold at a profit, until the foreign maker was convinced that he would either have to retire or to agree to sell at fair prices" (p. 79).

The remarkable success which this system had in restoring prosperity to the trades in which it was adopted, and in maintaining industrial peace, has attracted a great amount or attention and led to repeated attempts to extend it to other industries. It was adopted in the dyeing trade of the West Riding of Yorkshire in 1894, the combination including when formed 60 per cent of the employers and 90 per cent of the workpeople. In the spring of 1899 it was introduced into the earthenware trade in the pottery district on the basis of a 10 per cent rise in prices and a 5 per cent increase in wages, and fifteen employers joined at once. About the same time a similar scheme was much discussed in the tin-plate trade, but was not taken up; the proprietors, however, of 339 out of the 346 mills then working agreed to form an association "for mutual protection and control of wages."

Voluntary combinations of the Alliance kind depend in the last resort on the honour of the traders who form them, and this is precisely their weakest point. The greed which Mr. Smith so eloquently denounced led some makers of bedsteads to try to obtain at the same time the advantages of combination and the illicit gains of secret competition. By such devices as invoicing twelve articles and sending thirteen, supplying goods of a higher quality than invoiced, and by making cash commissions for orders, the list prices, though

nominally maintained, were cut in an underhand manner. When such offences were discovered by the private detective force of the Alliance, the workmen of the cutting firms were called out, and their maintenance during prolonged and bitter contests proved a severe strain on the common funds. Complaints by retailers at enhanced prices, running for some qualities up to 50 per cent rise, and the loss of some of the low-grade foreign trade under the new system, proved further inducements to independent action. Demoralisation at length overtook the vaunted organisation, and at a meeting of the Bedstead Manufacturers' Association on 13th August 1900 it was stated that the outside houses were now in the proportion of sixteen to thirty-five, and included some of the most important makers in the trade. "It was recognised," ran the semi-official report of the meeting, "that, in the general interests of the trade, some reconstruction on lines acceptable to the revolted firms was highly desirable," and, pending the calling of a general meeting representing all the bedstead manufacturing centres of the kingdom, all restrictions on prices were removed. Under the operation of the sliding scale the wages of the operatives had been raised to 40 per cent above the old level, but as a result of the crisis the bonus was cut down to 25 per cent. This virtual dissolution of the far-famed Alliance was hailed with great glee as a proof of the unsuitability of the trust system to British commercial methods, whereas in truth it rather exemplified the extent to which our trade is honeycombed with immorality. Only a permanent fusion can prevent private greed from bringing about disruption, and we shall see that most permanent combinations both at home and abroad have been preceded by temporary arrangements which have broken down after a more or less brief period of success.

The first impulse of the movement in favour of combination now pervading every department of our textile industries came from the successful establishment of the company of J. and P. Coats, Limited, at the head of the sewing-cotton

trade. The original firm was founded in 1830, and extended its operations to America in 1842. In 1884 it was converted into a private company, all the shares being held by thirteen members of the family, and in 1890 it was floated as a public company, with a share capital of £3,750,000 and £2,000,000 of debentures. As the average profits (without charging interest on capital or rent in respect of freehold property) for the previous seven years were £426,000, it is not a matter for surprise that over fourteen thousand applicants applied for four times the value of stock offered to the public. The vendors retained one-third of the shares and debentures. Then began the process of absorption. The Central Thread Agency was founded to regulate the sales in competitive markets of the four great rivals, J. and P. Coats, Clarke and Co., Chadwick and Co., and Jonas Brook and Co. In 1895, J. and P. Coats bought up the Paisley firm of Kerr and Co., and in 1896 they absorbed the three other firms just mentioned, raising an additional capital of £4,000,000 in ordinary and preference shares. The position then attained is shown by the fact that the £10 ordinary shares were issued at £50; they have since reached £75. The circular announcing the amalgamation added that the "aggregate profits will be largely increased by the benefits which must necessarily result from the amalgamation of the four concerns. It is not intended to sell at higher prices than those charged by the various companies when they were separate; but a marked improvement in values will necessarily take place in markets where they have been unduly depressed by unhealthy and excessive competition. Quite apart, however, from such readjustment of selling prices, large savings will result, not only in the cost of manufacturing, but also in the cost of distributing." The new firm then possessed sixteen manufacturing concerns, sixty branch houses, and a hundred and fifty depôts, including, besides their American business, a factory in Russia and one in Montreal, and they employed

over five thousand hands. Though they dominated the market they did not possess a monopoly, there being still twenty independent firms in Britain, forty on the Continent, and two large and many small in the United States.

The remaining sewing-cotton makers continued to undersell each other, till at last the limit of endurance was reached, and fifteen firms (including a French one) united to form the English Sewing Cotton Company in 1897, with a nominal capital of £2,000,000 in shares (three-quarters of which were then issued) and £750,000 debentures. The prospectus expressed the opinion that this permanent union would "tend to maintain a steady and reasonable range of prices," but added that "the average profits of the past few years have been comparatively small, a result due almost entirely to the undercutting already named." The vendors took £554,550 in shares and debentures, and J. and P. Coats took £200,000 in ordinary shares, establishing a powerful influence over the new company. Monopolisation in England became practically complete when the large Glasgow firm of R. F. and J. Alexander, with a capital of £475,000, and L. Ardern of Stockport were bought up by the English Sewing Cotton Company. It crossed the Atlantic in 1898, when J. and P. Coats took up £103,000 and the English Sewing Cotton Company £744,000 in shares of the newly-founded American Thread Company, which united thirteen companies and had a capital of £3,720,000. For three years, according to the prospectus, a "very large portion of the trade" had been done "below cost of production"; but in consequence of the British investments mentioned above, "important readjustments have taken place, which have established a largely increased income." Recently the American Company took 125,000 ordinary shares newly issued by the English Sewing Cotton Company at thirty-six shillings each, thus welding another link of union. The English Sewing Cotton Company now holds all the ordinary stock, six million dollars, of the

American Company, and its issue of capital is now two and a-quarter millions sterling in shares and a million in debentures. It would thus have seemed that these three great companies would control the sewing-cotton industry of the world, but a curious event in the end of 1899 showed that a further integration was possible, and indeed to all intents and purposes achieved it. Suddenly the Coats Company sold half their shares in the English Sewing Cotton Company. On inquiry it turned out that the partition of markets between the two companies had awarded Spain to the former and Cuba to the latter, which, by having a factory in Spain, made large profits under the protective tariff. When Cuba was annexed by the United States it came within the scope of the Coats Company's American mills, while the English Sewing Cotton Company's Spanish mill lost its advantage. The Coats Company, having to complain of secret underselling by their allies' agents, insisted that the Spanish mill should not make for the Spanish market, and prepared for war by unloading their stock. The power of the larger mass of capital was irresistible, and the English Sewing Cotton Company undertook to spin yarn only in the disputed mill, and to control their selling agents by establishing a central agency similar to that which had preceded the Coats amalgamation. Since then the Coats Central Thread Agency has taken over the sale of all the English Sewing Cotton Company's threads. In this way the Coats Company have shown themselves to be the autocrats of the sewing-cotton industry, and have also given proof of the futility of expecting that their position could be shaken by the intrusion of any new capitalist into that field of industry. At the same time that this conflict was occurring the Coats Company achieved another remarkable piece of integration by adding a hundred thousand shares to their already large investment in the Fine Cotton Spinners' and Doublers' Association, thereby obtaining an important control over the supply of their raw

material. Exactly the same movement may be observed in the "Birmingham alliances," which encourage their members to make special agreements with the suppliers of their raw materials.

Lancashire has always been to a particular degree the home of competition and individualism; even the joint-stock company system has not been prominent in the cotton trade except in the spinning-mills of Oldham. Aversion to common action for a very long time hampered the employers in their disputes with the powerful trade unions of their workpeople; but experience has gradually taught wisdom, and during the last two years we find the masters' associations drawing together for insurance against accident risks and to form a large parliamentary and legal committee to deal with parliamentary projects and important trade actions. This general tendency naturally reacted on the organisation of industry, and the lesson of the sewing-cotton trade pointed eloquently in the same direction. In March 1898, sixteen firms of spinners and fifteen firms of doublers united to form the Fine Cotton Spinners' and Doublers' Association, with a nominal share capital of £4,000,000 and £2,000,000 in debentures, two-thirds of each kind of stock being then issued. The properties and stocks in hand taken over were valued at £4,127,000, one-third of which the vendors took in shares and debentures. The prospectus was of a more cheerful nature than usual, for, while it admitted "unnecessary competition," this branch of the cotton trade was protected against the foreigner by the advantageous climatic conditions of the British Isles and the high skill of the British workman, and new-comers at home were excluded by the great difficulty of inducing the users of fine yarns to take the risk of spoiling expensive fabrics by unknown yarns. It was the improvement of the industry which the promoters had in view more than the extinction of present evils. "While no endeavour to create a monopoly is contemplated, it is expected that the centralisation of office-work and of

buying, selling, and distributing arrangements will lead to considerable economy. In addition to this, important benefits must arise from an organisation which will gradually provide that each mill shall spin and double only those numbers and qualities to which its machinery is best adapted. Another advantage is expected to accrue from the application to each individual concern (as far as possible) of the combined practical experience of the whole of the Board of Directors, which is exclusively composed of experts in this branch of business." A similar recital of the advantages of combination is to be found in almost every prospectus of an amalgamation. Fate, however, has proved too strong for the modest desire of the directors to avoid a monopoly, for since the flotation took place ten other firms have come in, one of which has a factory at Lille, while another is valued at a million sterling. A coal-mine was bought in the course of 1899, and the capital issued is now £3,025,118 shares and £2,000,000 debentures.

The allied industry of dyeing was the next to follow the example of the spinners, and it is now governed by combinations more completely than almost any other department. This is the more interesting because this development was preceded by an "alliance" on the Birmingham model. The Bradford Dyers' Association was floated in December 1898, with a nominal share capital of £3,000,000—two-thirds being then issued—and £1,000,000 debentures. The twenty-two businesses acquired comprised about 90 per cent of the Bradford piece-dyeing trade, and employed 7500 men. Since then four Lancashire firms have been added, being probably induced to come in by the fact that the Association had included the dyeing of cotton fabrics in its business. To provide for this purchase a further issue of capital was made, £250,000 in debentures and £500,000 in preference shares, making the total issue £3,750,000. A few months later came the union of a dozen firms representing 80 per cent of the slubbing dyeing trade of Bradford and Hudders-

field; and thirty firms of warp-dyers, including all the yarn-dyers of Lancashire and Yorkshire who prepare warps for the Bradford trade, syndicated their interests. Some Scottish firms afterwards joined, and the two combinations were amalgamated in the spring of 1900 as the British Cotton and Wool Dyers' Association, Limited, with a share capital of £2,000,000 (£1,200,000 issued) and £750,000 in debentures (£620,000 issued). The forty-six firms thus consolidated were asserted to include "the leading firms and companies engaged in dyeing, bleaching, printing, and sizing cotton yarns in warps and hanks, wool in the loose state, and slubbing, and all kinds of worsted yarns. . . . The associated firms, with the two branches of the Bradford Dyers' Association engaged in warp and hank dyeing, represent about 85 per cent of the volume of both branches of the trade." Friendly trading arrangements were entered into with the Bradford Dyers' Association, which invested £50,000 in ordinary shares of the younger company. Only those large Bradford manufacturers who do their own dyeing are free from the control of the dyeing trusts. The English Velvet and Cord Dyers' Association, registered in April 1899, with a capital of £1,000,000, includes eleven firms in the Manchester district. In July of the same year followed the Yorkshire Indigo, Scarlet, and Colour Dyers, with a share capital of £400,000, three-fourths issued, and £150,000 debentures, a union of eleven firms who "represent nearly all the Yorkshire dyeing businesses known to be engaged in indigo and scarlet dyeing of wool and cloth manufactured for uniforms, liveries, etc." "The Company," according to the prospectus, "will be in a position to manufacture and supply most of its own dye-wares," and will "almost monopolise" this branch of dyeing. An interesting sequel to this last "combine" is the United Indigo and Chemical Company, a fusion of the eight leading indigo manufacturers of Glasgow, Lancashire, and Yorkshire, with a capital of £250,000. A branch establishment was to be built in

America to take advantage of the heavy protective duty, and the vendors undertook not to start any competing businesses for twenty years. The British Dyewoods Company, a union of four firms, was founded in 1898, capital £570,000, and is now well established. The Yorkshire Dyeware and Chemical Company, "formed for the purpose of carrying on the business of several firms engaged in dyewood cutting and extracting, and in the manufacture and sale of chemicals, dye-stuffs, aniline colours, indigo, etc.," was floated in June 1900, with a capital of £220,000 in shares, of which £180,000 were issued, along with £80,000 in debentures.

Keeping to a rough chronological order, we come next to the woollen industries. About 1893 a comprehensive association was established in the Bradford wool-combing trade to keep up prices and prevent undercutting, and while it lasted "satisfactory profits" were earned. It broke down owing to the withdrawal of the two largest firms, Messrs. Holden, Burnley, and Co., and Messrs. Isaac Holden and Sons, Limited, in 1895, and "keen and to a large extent unnecessary competition" set in. Emboldened by the success of the Dyers' Association, efforts were made to form a similar combination; and though the two Holden firms still declined, thirty-eight others established the Yorkshire Woolcombers' Association. The nominal capital was £1,500,000 in shares (since raised to £2,000,000) and £1,000,000 in debentures, of which £1,181,800 shares and £750,000 debentures were issued. Of course "no attempt will be made to hamper trade by raising prices prejudicially, but an adjustment of prices to a common basis will extinguish the undercutting which has been so prevalent." The worsted trade is at present engaged in the preliminary work of fusion, a meeting representative of a hundred and six firms, held at Bradford in the end of January 1900, having passed without opposition an "abstract resolution" in favour of combination, and appointed a committee to devise a

scheme. The separate businesses were to be bought up on the basis of allowing nothing for goodwill, and the probable total capital has been put as high as eighteen millions, but that doubtless is an exaggeration. So far as the worsted spinners are concerned, there are good prospects of success, but the promoters wish to bring in at least 75 per cent of those engaged in the trade before floating the concern. Bradford, it would seem, is to-day the Mecca of English monopolists.

The Calico Printers' Association, floated in December 1899, is so far the largest British textile combination. Its nominal share capital is £6,000,000, of which £5,000,000 has been issued; and in addition to £3,200,000 debentures issued, the directors have power to create further debentures up to a total not exceeding three-fourths of the nominal share capital, if fresh hereditaments are bought. Forty-seven firms of printers, owning eight hundred and thirty machines, and thirteen firms of merchants have entered into the amalgamation, the purchase prices for the properties and assets acquired being £8,047,031, of which £2,661,836 is payable in shares and debentures. "The businesses acquired comprise about 85 per cent of the calico-printing industry in Great Britain. The strength of the Association is shown by the fact that it includes nearly every leading house of the trade, and that these supply goods not only to all branches of the home trade, but practically to every open market of the world. . . . In addition, some of the businesses own large spinning and weaving plants." The prospectus goes on to represent the business as "unusually safe," but adds: "Though some of the firms included in this Association have been and are earning large profits, the results of the trading generally for the past few years have been of an unsatisfactory nature, attributable chiefly to internal competition and cutting of prices." Not only do the directors of such an enormous capital view with complacency the efforts of any future competitor to rival an association which com-

bines under one management the accumulated skill or a complicated trade, and can offer the best price to inventors and engravers, but they look forward to an active campaign against foreign printers. "Certain markets," they say, "are at present closed to English prints owing to hostile tariffs. It will in future be possible to carry on works in foreign countries under most favourable conditions as regards designs, engraved rollers, etc., and in a way which was not practicable when such action depended solely upon the initiative of individual firms. The Association already owns a large works in France."

A rival to the Calico Printers' Association now exists in the Bleachers' Association, which, after two years' negotiations, was floated in July 1900. In many respects this undertaking is remarkable, and not least for the evidence it gives of the real genesis of the trust. The trade had suffered severely from undercutting, discounts, etc., and the evil had been met to some extent by voluntary effort. "For a great number of years past," to quote the prospectus, "there have existed in the Manchester bleaching trade voluntary associations for the regulation of prices in different branches of the business, and for other purposes, and these have worked in harmony with the merchants, as well as to the advantage of the trade; but it has been realised that the full advantages of co-operation can be secured only by amalgamation, for the success of which the existence and organisation of these associations give exceptional facilities. The present amalgamation has secured the adhesion of many firms who were not previously members of any price association." The benevolent attitude of the great trusts towards one another is also shown; for though some of the firms were dyers as well as bleachers, it was expressly stated that there was "no intention of competing with the Bradford Dyers' Association, Limited," and the dyeworks of one firm doing piece-dyeing of the Bradford class were resold to that Association. Altogether fifty-three companies and firms

transferred their businesses to the Association, and the share capital was fixed at £6,000,000, of which £4,500,000 was issued, in addition to £2,250,000 debentures. As the valuation of properties only amounted to £3,726,000, this meant a heavy sum for goodwill and patents. The public, made timid by loud talk of over-capitalisation, would not be reassured by the assertion that the business was "practically free from ordinary trade risks," or by a certificate showing enough profits to provide a 6 per cent dividend on the ordinary stock, and made but an indifferent response to the issue. Thereupon the vendors gallantly replied by themselves taking up all the ordinary stock for distribution among the combining firms, in addition to one-third of the preference shares and debentures.

Coming to some other departments of the textile industries, an amalgamation of several firms in the Belfast district into the Linen Thread Company is stated to have been achieved in the course of 1898, and in the following year four other firms came in. J. and P. Coats were said to be interested in the undertaking; and as the united firms owned mills in Scotland, Ireland, New Jersey, Massachusetts, and Hamburg, another was added to the list of international combines. In the autumn of 1899 the three largest linoleum manufacturers of Kirkcaldy, N.B., the chief centre of the industry, amalgamated under the title of Barry, Ostlere, and Shepherd, Limited, with a capital of £1,000,000. The new firm includes among its works a valuable factory at Rouen, but will still have to face the competition of two independent firms. The autumn of 1900 has also had a fair crop of textile combines. The manufacturers of elastic cords, webs, and braids in Leicester, Coventry, Derby, and their vicinities have arranged a fusion of their businesses, with a capitalisation of more than a million sterling; and owing to the special character of the manufacture the undertaking is expected to be profitable. All the lace-dressers of Nottingham, with about half a dozen exceptions, have

formed a combination, with a capital of £1,000,000, of which £350,000 is in debentures. An arrangement in regard to prices and other matters has been concluded between the combination and the independent firms. It is interesting to note that this is another trade in which an "association" existed for some years, but broke down like the Birmingham Bedstead Alliance. An important amalgamation of the lace and muslin curtain manufacturers in Ayrshire and Nottingham is also approaching completion. It has a large support in Nottingham, and includes the principal Ayrshire manufacturers, with the important exception of Messrs. Morton of Darvel. Some thirty firms have joined, and the capital is expected to be over two millions. Negotiations are also proceeding to combine the hat-makers of Lancashire and Cheshire.

Unsuccessful attempts were made in 1898, and again in 1899, to combine the Oldham velvet manufacturers, and on the latter occasion agreement was nearly reached. Such preliminary failures do not, however, necessarily prove the impossibility of the project, as the experience of the calico printers proves. The "Velvet Combine" proposed to unite in harmony weavers, dyers, cutters, and merchants, but such divergent interests could not be reconciled. Besides, there were seventy firms in the trade, and in the present state of fashion seven could produce all that the public wanted, so that combination meant either over-capitalisation or the unpleasant task of writing down nominal values. On the other hand, a more modest effort succeeded, the United Velvet Cutters' Association, including five of the leading firms in the trade, being floated in March 1900, with a share capital of £200,000, of which £90,000 was issued, besides £50,000 in debentures. About the same time the English Fustian Manufacturing Company was formed by the fusion of all the fustian firms in Todmorden and a majority of those in Hebden Bridge, representing 80 per cent of the trade of the two districts. The share capital is £500,000,

mostly subscribed by the consolidated firms. An amalgamation of eight of the leading makers of shoddy and mungo is reported as almost complete. The Extract Wool and Merino Company will unite the chief firms in the heavy woollen district engaged in the growing and profitable industry of producing materials from rags containing part wool after carbonisation of the cotton. The capital is to be £280,000. Among the latest suggestions are federations of the card-clothing makers and of dress goods manufacturers. Each industry has discussed the matter, and at a meeting of the former trade, where representatives of twenty-five out of the thirty firms engaged attended, about half those present gave in their adhesion, but it was determined to wait till the support of three-fourths of the trade could be secured. Over thirty of the leading manufacturers have appointed a committee to draw up a scheme of union, and it is stated that if the plan is successful the capitalisation "will unquestionably run heavily into the millions."

The trades ancillary to the textile industries have not escaped the contagion of union. Late in 1899 the seven chief makers of wool washing and combing machinery in the West Riding of Yorkshire, who, though safe from outside rivalry, had suffered from "exceptionally severe" mutual competition, formed the Textile Machinery Association, with a share capital of £170,000 and £120,000 debentures. In the spring of the same year the leading manufacturers in Keighley and the neighbourhood who make belts, etc., for the textile trades expressed their willingness to join a syndicate.

The position in the textile trades to-day is best summed up in the words of the President of the Manchester Chamber of Commerce:[1] "Within the last two and a-half years combinations had been effected in thirteen industries more or less connected with the textile trades, and chiefly with Lancashire and Yorkshire. The total number of firms absorbed was 296, and the aggregate capital of the consolida-

[1] *Textile Mercury*, 5th May 1900.

tion was nearly £37,500,000 sterling. There were reports of further large combinations in contemplation."

The great foundational industry of coal-mining might be expected to offer special facilities for combination of interests, as it is strictly limited in extent. Although there are many very large firms, and the majority of the proprietors are organised in associations for the control of wages and the regulation of the trade, there has been no effective movement towards consolidation on a large scale. In this regard, it is of some importance that the bulk of the hundred millions of capital which, it is estimated, are invested in the coal industry of the United Kingdom is held by private firms or very strictly limited companies, especially in the Midlands and North of England. In Scotland twenty-seven companies, with a subscribed capital of £4,354,000, are responsible for about half the output. The late Sir George Elliot, who was fully acquainted with every phase of the industry, devised a remarkable scheme for amalgamating the separate interests into one grand company. Although his fellow-proprietors refused to accept it, part of his argument may be quoted to show the permanent causes which are steadily making for union.[1] After setting forth the disadvantages under which individual lessees at present labour—the necessity of leaving boundary walls of coal unworked, the unnecessary increase in the expense of pumping, ventilation, and underground haulage, which have to be treated not in the most convenient manner, but according to the arbitrary divisions of ownership—he said: "Briefly, the effect of amalgamation, it is contended, would be to remove all the artificial factors which now stand for so much in the sum of the coal-mining industry, and to leave science and nature face to face. The different coal districts would then be treated each as a whole, according to its geological peculiarities. Under a more fully organised method of working, the whole of the coal, good and bad, could be

[1] *Times*, 20th September 1893.

systematically extracted, instead of being, as now, largely wasted for the sake of bringing up only those kinds which produce the highest market prices. Beyond this, it is anticipated that there would be an additional and important saving in the cost of distribution, as each group of collieries, having no longer an individual interest in seeking distant custom, would naturally supply that part of the country in which its coal can be most easily delivered." Estimating that 20 per cent of the coal produced is consumed in the manufacture of iron and steel, and largely raised by the ironmasters themselves, he proposed to deal only with the remainder. To buy out existing interests, he thought, would require £110,000,000, one-third of which should be raised by debentures. Taking the average selling price of coal at seven shillings and threepence a ton—which is in excess of prices ruling since—he concluded that, after providing a reserve fund against exhaustion of supplies, 5 per cent could be paid on debentures and a minimum of 10 per cent on shares. The ordinary dividend was not to rise above 15 per cent except by consent of the Board of Trade, and the profit beyond that rate was to be equally divided between the shareholders, the workmen, and the consumers. A central council was to be elected by the several coal districts of the country for "the general management, supervision, and control of the business of the company," while about thirty district committees, elected partly by the shareholders, partly by the miners, "would be immediately concerned with the working of the collieries and local business of their respective districts." Sir George Elliot also contemplated that the scale of wages should be calculated "on a liberal basis as compared with other classes of labour."

There have been two suggestions for a more limited kind of combination. Mr. Ratcliffe Ellis, the Secretary of the Federated Coal Owners of Yorkshire, Lancashire, and the Midlands, has proposed[1] that the coal-owners should

[1] See "The Coal Trade in the North of England," *Times*, 12th April 1898.

form themselves into a company for the purchase and resale, at prices to be arranged partly by district committees and partly by the central board of the company, of all the coal produced by its members. This proposal also has been too gigantic for the coal-owners; but Mr. D. A. Thomas, M.P., was very nearly successful in his scheme for regulating the industry of the South Wales coalfield, by limiting the output so as to maintain prices, and then distributing the orders among the different collieries. His plan has always been warmly supported by the miners, and at their congress of 1897 they reported that they had secured the assent of 80 per cent of the masters, but nevertheless the scheme broke down. The greatest practical step towards monopoly in coal-producing which is to be chronicled is the purchase in 1896 of Lord Durham's collieries by the firm of Sir J. Joicey and Co., which now has an output of four and a-half million tons, and employs twelve thousand workpeople. A smaller, though still large, amalgamation is the Lewis-Merthyr Consolidated Collieries, Limited, in Rhondda Valley, formed in March 1900, to combine the interests of the Coedcae Coal Company and the Lewis-Merthyr Navigation Colliery. The joint output is 750,000 tons annually, and the share capital is £450,000 and £150,000 debentures. Sir C. Furness has another large concern to his credit in the purchase, in August 1900, of the Broomhill and Ratcliffe Collieries and Warkworth Harbour, the capital of the joint undertakings being £675,000, and the output two thousand tons daily; its name is the Broomhill Collieries, Limited.

It is very different with the distributive coal trade, which, one might imagine, offered less facilities for coalition. In 1896 London was electrified by the news that the bulk of its sea-borne coal trade was to pass under the control of a single company. Eight large firms, handling five out of the eight million tons of coal which come to London by sea, united under the title of W. Cory and Sons, Limited,

with a nominal share capital of £2,000,000, of which £1,700,000 was issued, and £800,000 debentures—now raised to a total of £2,600,000. The value of the fleet of steamers and lighters belonging to the new company was £311,000, and in addition there were 2560 railway waggons. The union of the carrying trade with the retail trade by trucks and vans was expected to develop all the facilities possessed by the various firms for the economical handling of coal, and the directors magnanimously determined that "the efforts of the management will be directed to the cheapening of coal to the consumer, the past experience of the firms proving that cheap coal and larger tonnage are more profitable than high prices." The profits of the company as coal-distributors work out to an average of tenpence per ton, according to the chairman's statement at the last annual meeting. Just three years later came the formation of Rickett, Cockerell, and Co., Limited, which was an amalgamation of the wholesale and retail business of Rickett, Smith, and Co., Limited, and of the subsidiary businesses owned by them, with the retail trade of W. Cory and Sons, Limited, the latter company retaining its wholesale business and nominating four directors to the new firm. The share capital was £1,500,000, but only £900,000 was issued (half to the vendors), the balance being reserved "with a view to probable extensions and developments of the Company's business." As the trade of Rickett, Smith, and Co. was in railway-borne coal, its union with the sea-borne trade seemed to give substance to the shadowy coal-ring which has haunted the minds of London householders ever since the famine days of 1873. The two companies are certainly strong enough to control the London coal supply.

Bradford has followed in the lead of London with the formation in July 1899 of the Bradford Coal Merchants' and Consumers' Association, Limited, an amalgamation of eight firms which "turn over upwards of 90 per cent of the

steam-coal trade done in the city of Bradford, and also control a large proportion of the household-coal trade of the city," their annual sales being about seven hundred thousand tons annually. The nominal share capital is £250,000, of which £199,790 were issued, only £80,000 being offered to the public. Since then the Bradford Dyers' Association have acquired fifty thousand shares, with the right to nominate two directors, the Coal Association receiving a monopoly of the supply of coal to the united dyeing firms in Lancashire and the West Riding. This is another interesting proof of the tendency of manufacturing concerns to obtain control over the supply of raw materials.

CHAPTER IX

THE GROWTH AND EFFECTS OF COMBINATION IN INDUSTRY

THE iron, steel, and engineering trades do not exhibit the same tendency to the formation of large combinations which we have seen to be so prevalent in the textile industry. The Textile Machinery Association, which has been already noted, is, of companies lately floated, the only one which approximates to the Bradford model. Since the spring of 1899, however, there has been a movement among the makers of wringing and mangling machines, who have suffered considerably from undercutting. The trade is almost entirely localised at Keighley and Accrington, and therefore presents certain facilities for fusion of interests.

Nevertheless, competition does not reign unchecked in many of the branches of the iron industry. Selling associations, which regulate the selling-price of many manufactured or semi-manufactured articles, exist in fair abundance. "Although no actual association has yet been definitely established, we understand," says the *Iron and Steel Trades Journal*,[1] "that an informal agreement has been come to by the Lancashire finished iron-makers that meetings shall be held regularly to consider prices, together with other matters affecting the trade, and at the meeting on Tuesday an arrangement was arrived at that the minimum basis price for

[1] 14th May 1898.

bars delivered in the Manchester district should be £5 : 15s. per ton. Other trade combinations are, we understand, also under consideration. The iron and steel boiler-tube manufacturers are endeavouring to form an association for the regulation of prices, which of late years have been very much cut up by competition. A similar combination amongst the better qualities of steel plates for boiler-making purposes is also being pushed forward, negotiations being in progress with a view to securing the adhesion of the leading houses both in England and Scotland." Seven months later the *Iron and Coal Trades Review*[1] could say that "we have now in operation agreements or understandings as to prices in the rail, ship-plate, boiler-plate, bar iron, and other branches of the iron and steel trades of this country by means of which prices are fairly well maintained and cutting is largely prevented." Two years later the Consultative Council of the Iron Trade of Great Britain was formed, concealing under a high-sounding title a federation of the various combinations of bar-iron manufacturers and kindred industrials. Its primary object is the regulation of prices, or at least to ensure the raising or lowering of prices by common agreement in the different districts. Some important manufacturers, however, hold aloof from it.

The iron industry includes many very large firms, there being at least thirty with a capital of over half a million, while in engineering alone twenty-four firms have a subscribed capital of £14,245,000. Many of them show a high degree of integration of industry. Thus Bell Brothers, Limited, are ironmasters, coalowners, coke-manufacturers, ironstone-owners, and firebrick-manufacturers; Pease and Partners, Limited, own collieries, ironstone mines, limestone quarries, blast furnaces, coke ovens, firebrick works, and chemical works; the Weardale Steel, Coal, and Coke Company carries on the same businesses as the other two firms, and in addition manufactures steel ingots and finished iron and steel,

[1] 16th December 1898.

and builds and repairs railway waggons. Few firms hold such an all-powerful position as that which Messrs. Nettlefolds obtained in the screw trade by the fortunate purchase of a patent and the drastic application of competitive methods. Nevertheless each department of the iron, steel, and engineering industries is dominated by a few firms who hold the world's trade, while by their side flourish a number of smaller firms who attend to the minor demands of the localities where they are situated. These local firms are quite within the power of the large businesses, which, for example, by the threat of withholding orders, compelled many unwilling firms to join in the lock-out of the engineers in 1897. Where the number of competitors is reduced to a manageable figure, it is always easier to bring about a combination, but there is not much likelihood that there will be any great movement in that direction so long as the iron and steel trades continue in their present exceptional condition, with every workshop crammed with orders and prices and profits steadily rising. What we do see happening is, first, the partial disappearance of the personal element by the transformation of large firms like Galloway's, Doxford and Co., and Laird Brothers—to take three recent examples —into public companies; and secondly, that the large firms unite in twos and threes, apparently in order to ensure the concentration of a greater mass of ability on every branch or the work, and also because in engineering the firm which has the greatest range of capacity is most likely to succeed in the struggle. In 1897 Armstrong and Co. absorbed Whitworth and Co., raising their capital to £4,210,000 in the process. In the autumn of 1899 they took £30,000 of shares in Robert Stephenson and Co. (capital £750,000), an engineering and shipbuilding company, undertaking also to dock all their war-vessels in a new graving-dock being built by the latter. Vickers and Co., the armour-plate manufacturers, in the course of the same year bought up first the Naval Construction and Armament Company,

and later the Maxim-Nordenfelt Guns and Ammunition Company. Their share capital is now two and a-half millions, and in addition a million and a-quarter of debentures have been issued at 104. In the summer of 1899 two important amalgamations took place. The Thames Iron Works Shipbuilding and Engineering Company bought up the engineering works of John Penn and Sons, Limited, and floated the united businesses with an issued share capital of £600,000 (since increased to £700,000) and £200,000 in debentures. John Brown and Co. of Sheffield, the well-known manufacturers of armour-plates, shafting, and other marine specialities, and owners of the most extensive collieries in South Yorkshire, iron mines in Spain, etc., bought up the works and business of the Clydebank Engineering and Shipbuilding Company. The assets of the former company amounted to £1,854,000 and of the latter to £1,038,000; after the amalgamation the paid-up share capital of John Brown and Co. was £1,852,500, the nominal capital being £2,500,000.

The South Durham Steel and Iron Company is an amalgamation of two firms in Stockton and one in West Hartlepool, effected in December 1898 and floated in March 1900 as a public company, with a capital of £650,000 (£100,000 not issued) in shares and £300,000 in debentures. The works employ 5000 men, and "the Company's production of steel and iron plates for shipbuilding is more than one-half of the whole output of the North-East coast." This is one of the many co-related companies in which Sir Christopher Furness takes a prominent part. Another giant undertaking has been created by the purchase of Lord Wimborne's properties—the Dowlais Iron Company and Guest and Company, comprising collieries, blast furnaces, steelworks, rolling-mills, etc., and a large interest in iron mines in Spain—by the Patent Nut and Bolt Company of Birmingham in June 1900. The valuation of the Dowlais undertakings is £1,530,000, and of the Patent Nut and

Bolt Company £1,000,000, while the capital of the new company, now called Guest, Keen, and Co., is £3,000,000 (one-third in debentures), of which £470,000 is reserved for future issue. The engineering firms of Furness, Westgarth, and Co., T. Richardson and Sons, and W. Allan and Co., united late in 1900 to form Richardsons, Westgarth, and Co., with a capital of £1,050,000; Furness, Withy, and Co., shipowners, taking 50,000 shares. About the same time a more modest concern was floated, James Dunlop and Co., ironmasters and colliery-owners near Glasgow, with which was amalgamated the Calderbank Steel Company, steel manufacturers and colliery-owners, the joint capital being £550,000. The influence of the textile combinations is probably to be observed in the flotation of Fairbairn Lawson Combe Barbour, Limited, of Leeds and Belfast, which is an amalgamation of the three largest manufacturers of machinery for preparing and spinning flax, hemp, and jute. The capital issued is £1,100,000, of which £300,000 is in debentures. It is also reported that negotiations are well forward for a fusion of three firms in the vicinity of Glasgow which are the largest makers of bakers' and confectioners' machinery in Scotland.

The Scottish tube trade has undergone several amalgamations, and the two most powerful firms are A. and J. Stewart and Menzies, Limited, share and debenture capital £1,050,000, and Wilson's and Union Tube Company, share capital £200,000, leaving four or five other firms in the Glasgow district. Lastly, Bolchow, Vaughan, and Co., iron and coal masters, whose paid-up share capital is £3,218,000 and debentures £223,750, early in 1900 bought the North Shelton Mine and six blast furnaces from the Shelton Iron, Steel, and Coal Company, paying the purchase price, £215,000, out of their profits for the preceding year. These movements may not appear so important as the combinations in the textile industry, nor are they from the standpoint of organisation; but as far as the consumer is

concerned it is all the same to him whether prices are kept up by a combination, an "alliance," one dominant firm, or a selling association.

In the chemical industries, renewed efforts have been made among the salt manufacturers to establish a combination which may effect what the Salt Union so conspicuously failed to do; and in 1899 an association for regulating salt prices was formed, which is reported to be working fairly satisfactorily. Competition in the borax trade had reduced prices 50 per cent, and some of the weaker firms of course failed. But the survivors discovered, as one of the chairmen said, that "there were other ways of doing away with competition besides 'snuffing out,'" and in January 1899 twelve companies, owning "all the important mines and sources of production of the raw material from which nearly the whole supply of the world had hitherto been obtained," united to form Borax Consolidated, with a capital of £2,400,000, now all issued, additional properties having since been acquired. But the great feature of these trades is the company of Brunner, Mond, and Co., with a nominal share capital of £3,000,000, of which £1,476,000 is paid up. This mammoth firm has quite recently agreed to purchase the works of Messrs. Thomson and Co. of Lostock Gralam, whose capital is upwards of a quarter of a million.

Turning to other industries, we find two gigantic combinations of a very complete kind. The British Oil and Cake Mills, Limited, was floated in July 1899 with a nominal share capital of £1,500,000 and £750,000 debentures, of which £1,200,000 in shares and £550,000 in debentures were then issued. Seventeen firms established all over the country and engaged in the manufacture of cotton-cake, linseed-oil, cottonseed-oil, etc., with a crushing capacity equal to upwards of one-half of the total annual importation of seeds into the United Kingdom, entered into this amalgamation. They also intended to undertake the purchase and supply of foreign oil, cakes, etc., imported into

the country. One noteworthy feature of the flotation is that, in order to secure their sale market as far as possible, they proposed "to give for the customers of each mill favourable consideration in the allotment of shares, with a view of their having a direct interest in the profits of the Company." Where such an offer as this is taken advantage of to any great degree, the undertaking to a certain extent partakes of the nature of a co-operative business, controlled, however, by the vendors' interests, amounting in the present case to £525,000 in shares and debentures, and supreme power as constituting the whole board of directors. A still greater combination is the Wall-paper Manufacturers, Limited, a union of thirty-one firms and companies engaged in the manufacture of wall-papers and raised decoration materials. By this fusion, and by working agreements with three other firms remaining outside, the new company will control "about 98 per cent of the wall-paper manufacturing trade of the United Kingdom, and amongst the properties purchased are two paper-making mills, one factory for enamelled and chromolithographic paper, and the works for the manufacture of Anaglypta, Cordelova, and Lignomur." This amalgamation was preceded in the autumn of 1899 by the formation of a syndicate "to put an end to vexatious rivalry between the leading firms." It was stated[1] that the dealers had been "bound over by contract not to deal with foreign manufacturers for ten years," that all the smaller factories had been closed, and that one-third of the travellers and designers had been thrown out of employment. The syndicate was apparently a success, for it was put on the market at the end of February 1900 with a nominal share capital of £3,200,000 and £1,000,000 debentures. With the exception of four small businesses paid for in cash, £74,577, the whole of the purchase money, amounting to £4,216,045, was payable in shares or debentures. In the beginning of 1899 the Association of British Rubber Manu-

[1] *Daily Chronicle*, 2nd September 1899.

facturers was constituted to fix selling prices, with a penalty clause for breach of the joint agreements.

On a much smaller scale, but as complete in its way, is the Aberdeen Comb Company, an amalgamation of three firms brought about in April 1899. "For several years," said the prospectus, "the competiton has been so severe that many firms have succumbed, and these three firms are believed to be now making considerably over 90 per cent of all the horn combs made in the United Kingdom, with unnecessary competition amongst themselves." The share capital of the new company is £300,000. Another fusion of much domestic interest was brought about in 1899 through the purchase by Lever Brothers, Limited, of the American firm of Brooke and Co., thus uniting "Sunlight Soap" to "Monkey Brand," with a capital of two and a-quarter millions. This firm excellently exemplifies the international nature of capital, for it has a factory in Switzerland, and in 1898 bought land for another at Mannheim, to the dismay of the Baden soapmakers. The Yorkshire Soapmakers' Association, Limited, is an amalgamation of a dozen businesses, whose purchase price was £250,468, floated in the early summer of 1900 with a capital of £260,000. The match-making firms, again, were compelled by the stress of competition to hold a meeting and make an arrangement to raise prices in 1900—always the first step to closer union. A special domestic interest was involved in the attempted union of the perambulator-makers in 1899; but the project failed, owing partly to the ridicule it incurred, partly to trade jealousy.

Curtis and Harvey is a consolidation, formed in the end of 1898, of eight leading firms and companies manufacturing and trading in military, sporting, and blasting powders, and possessing fifteen powder-mills. The nominal share capital is £600,000, of which £450,000 has been issued and taken by the vendors, and there are also £400,000 in debentures. The Nobel-Dynamite Trust Company has, as English

"trusts" go, quite a respectable antiquity, dating back to 1882. For some years prior to its formation the four German companies and the Glasgow company indulged in keen competition, until at last an amicable agreement was made which lasted for a couple of years or so. The parties, seeing that "a still closer bond of union should be made between the companies if we were to get the best result from our arrangement," formed the Trust Company, with a nominal share capital of £3,000,000, on such a basis that while each company had full independence of management, prices were controlled and competition prevented. The huge Dunlop Pneumatic Tyre Company, with its share capital of £4,000,000, is an unusual example of a company controlling a trade by the value and universality of its patents, though even it is not free from the competition of rival tyres, and it has suffered from the inflation which has wrecked the cycle trade. Twenty firms making cycle accessories have adopted a scheme of fixed minimum prices between the factor or wholesale dealer and the retailer. In the publishing trade a few well-known firms maintain their superiority, while mushroom firms grow and decay with equal rapidity. Here, too, we can note one amalgamation of some interest in literary history, the union of Macmillan's and Bentley's. Nor would any account of monopolies be complete without mention of the "bookstall monopoly" of Messrs. W. H. Smith and Sons. The British Papermakers' Association tries to control the price of paper, but its efforts to maintain higher rates have not been very successful. Consequently, some efforts have been made towards a combination, but, owing to the opposition of some Scotch mills, the project does not seem to have advanced far. The Associated Portland Cement Manufacturers, Limited, was floated in July 1900, and is another of the giants of industry. The Association was formed for the purpose of purchasing the undertakings of twenty-seven firms and companies, whose works, with the exception of three, were situated on the Thames

and Medway, a neighbourhood which is now the chief seat of the manufacture. Working arrangements for three years or over were concluded with four other firms, and negotiations for other working agreements were in progress. According to the prospectus, "the undertakings which the Association acquires, and others with whom they will have working arrangements, are estimated to produce about 89 per cent of the total capacity of production of cement on the Thames and Medway," and that district is believed to produce "upwards of 80 per cent of the entire output of Portland cement in the United Kingdom." "An agreement has been entered into with George E. Wragge on behalf of the principal London cement merchants, which provides *inter alia* for all merchants joining them taking their whole requirements of cement from this Association for the term of seven years"—therein following the precedent set by the Oil-cake and Wall-paper Combines. The valuation of the concerns, with their engineering shops, railways, fleet of barges, etc., was £4,642,000, and the goodwill and patents were acquired at less than three years' purchase of the profits. The share capital is £5,000,000 (issued £4,900,000) and the debenture stock £3,000,000 (issued £2,475,000, £375,000 of the remainder being reserved to retire mortgages on two of the undertakings).

In the quarrying industry, the Bath Stone Firms, Limited, was formed in 1887, with a capital of £250,000, to amalgamate the seven principal Bath stone firms, and has been so successful that its shares are quoted at nearly treble their face value. The Rowley Regis Granite Quarries was formed in July 1900, to acquire the properties of eight firms, possessing two-thirds of the granite quarries situated at Rowley Regis in Staffordshire. A novel point connected with the flotation is the fact that, according to the prospectus, "the trade incurs practically no bad debts, the customers, with few exceptions, being public authorities." The nominal capital was fixed at £120,000, of which £100,000 was

issued, the rest being reserved for future extensions of business. Finally, we can conclude with the Leeds Fireclay Co., capital £1,000,000, a union of six Yorkshire firms in 1890; and the Buxton Lime Firms Co., which amalgamated twelve businesses in 1891, and has a capital of £522,400.

When we come to the retail trades we find competition rampant in its worst forms, recklessness and dishonesty and bribery honeycombing a great mass of business. The statistics of the bankruptcy courts show how great is the mortality among the competitors; and yet to a certain extent the small shopkeeper is a necessity of modern life, for so long as an immense number of people are compelled by financial necessities to get their household supplies day by day, the large shop, remote from many possible buyers, cannot meet this domestic requirement. Nevertheless, the small shopkeeper is to-day in a similar position to that of the handloom-weaver seventy years ago. Every week his struggle becomes more severe, and victory sides more and more with the large capitalist. Nothing shows this more clearly than the boom in joint-stock companies for stores and retail trading which has continued for the last few years, their capitalisation in the five years 1895-99 being £35,493,800. Many of these, especially in London, are gigantic in size,—amongst "stores," for example, Whiteley's, with a capital of £1,800,100 in shares and debentures, and Spiers and Pond, £1,906,000; in grocery, Lipton's, £2,500,000 (nominal, two-thirds issued); in furniture, Maple and Co., £2,620,000; in drapery, Marshall and Snelgrove, £775,000, and many others,—and their success is shown by a steady rise in profits. For example, in the nine years since "Maple's" was started as a company each shareholder has received £124 : 15s. in dividends on each £100 invested. Dangerous as these large companies are to the small shopkeeper, the peril is multiplied when they set up branches all over the country, and thus deprive the small man of his last advantage, his proximity to his customer.

Lipton's, Limited, for instance, has nearly three hundred branches in London and in the provinces; and the practice is quite common in the grocery and provision trades, in the restaurant business, the milk trade, and the tobacco trade. Joseph Burton and Sons (£310,000 issued) own thirty-six retail provision, grocery, fish, game, etc., shops and stores in twenty-five Midland towns. The omnipresent shops of the "A.B.C." and of the Express Dairy Company are familiar to Londoners; while Slater's, a smaller concern, have thirty-eight restaurants. The ordinary form of combination is also to be found in some recent amalgamations—such as D. Hughes, Evans, and Co., a union of a wholesale provision house with twenty-six retail shops in various parts of London, floated in 1899 with a paid-up capital of £120,000; Cooper, Cooper, and Johnson, formed in 1898 with a capital of £340,000, to acquire the well-known tea business of Messrs. Cooper, Cooper, and Co., the Manchester and London businesses of Messrs. Johnson, Dodds, and Co., the Ceylon and Oriental Estates Co., etc., thus uniting the functions of producer, dealer, and retailer; the London and District Sanitary Laundries, formed in 1899 with a capital of £100,000 (£70,000 issued) to acquire twenty-one laundries in London and the suburbs. An interesting flotation is the Wholesale Newsagents' Association, formed in May 1900 to acquire fifteen newsagents' businesses in the Midlands and north of England, doing a trade of £218,000 a year. The share capital is £200,000, of which £135,000 was issued. "It is a fact," said the prospectus, "of great importance from the investor's point of view, and one deserving of notice, that the newsagency business never has a period of depression. Even in times of bad trade generally the demand for newspapers does not decline."

The ruinous character of retail competition has at last become a matter of concern to the shopkeepers themselves, who are now trying to organise themselves for that first step towards combination, the voluntary association for

the regulation of prices. In most of the shop trades local associations are formed for the various branches of retailing, and these are federated into corresponding national associations of more or less strength. Their chief functions are to obtain reductions of rates from railway companies, to avert legislation affecting their businesses, to remove trade abuses, and to look after the common interests in the law-courts. For the last four years the Traders' Defence Association of Scotland has striven hard to expose the socialistic iniquities of the co-operative stores, and in particular to exclude their agents from buying cattle in the local saleyards. They succeeded in driving a few co-operators out of employment, in calling forth an outburst of enthusiasm from their opponents, and in giving an unequalled advertisement to the "co-ops." The grocers' associations rely mainly on moral suasion to prevent underselling, but in various places local price-lists have been agreed on. For example, in *The Grocer* (29th September 1900) we find the following record of the proceedings of the Handsworth District Committee:—"On the motion of the Honorary Secretary, seconded by the Chairman, it was decided that the lowest price for candles should be 5½d., and three pounds for 1s. 4d., with an understanding that latitude should be allowed to grocers placed in a position of exceptional difficulty"; the prices of currants and tinned salmon were also discussed, but left open questions. The same method prevails extensively in the better-organised baking trade. From the raw grain to the loaf, all the industries connected with wheat are no longer under the action of free competition. Mr. H. R. Rathbone told the British Association in 1896 that the system of speculation in wheat futures on the American markets was "steadily concentrating the grain trade of England into fewer and fewer hands," and that ultimately it would lead to a gigantic trust. The wholesale prices of flour, in London at least, are fixed by the Flour-millers' Association, and the local association of retail bakers by judicious cutting of prices

soon compels a recalcitrant rival to adhere to list prices. In addition to the concentration of a large part of the London coal trade in the hands of two large companies, the retail prices of coal are periodically fixed at meetings of the coal merchants.

Chemists and druggists have a more efficient organisation than any of the other trades, and this perhaps has made them better able to tackle the problems of competition. Besides forming a subordinate branch of the medical profession, they deal in patent medicines and proprietary articles, which was an exceedingly lucrative business until it was taken up by grocers and cheap drug-stores. "The Proprietary Articles Trade Association," consisting of both wholesale and retail chemists, has been formed "to take such steps as the association may be advised are legal to deal with extreme cutting of prices, and to give advice and render assistance to its members in preventing substitution," *i.e.* the pushing of some other article in place of that asked for. The retail members bind themselves not to sell below fixed wholesale and retail prices, and the proprietors of the protected articles undertake to cut off the supply of their goods from any chemist who sells any individual one of these articles below the minimum price, or who, after due notice, supplies a cutter with any of these goods. In this way the cutting of price in one case would entail the loss of supplies of about a hundred classes of specialities, some of them particularly popular favourities. The following is a typical trade advertisement: "The proprietors herewith give notice to chemists, grocers, and others that the limit of 'cutting' prices of ——'s —— has been fixed as under:—6d. packets to be sold at not less than 5½d. . . . Full prices to be obtained wherever possible." Another large firm requires its customers to sign the following undertaking:—"I hereby undertake not to list or sell by retail any —— articles below the minimum retail prices, which have been fixed as follows . . . and not to supply upon any terms whatsoever any

firms whose names appear on the list of firms from whom supplies are to be withheld." The Association was started in 1896, and now includes 86 manufacturers, and 3500 retail members out of about 9000 chemists actually in business. It also runs a monthly paper, *The Anti-Cutting Record*, which has a circulation of 9000 copies. To the extent to which this movement is successful, the trade acts as a limited monopoly. The same method of controlling competition is adopted by chemists and druggists in Canada and in the United States.

The trade in proprietary articles affects grocers in a similar manner to that which we have seen among chemists, and indeed a grocery section of the Proprietary Articles Trade Association was formed, but was dissolved in order to leave the Federation of Grocers' Associations free to deal with the matter. The General Purposes Committee of that body is now considering the following expressive resolution referred to it by the 1900 annual conference of its members: —"That this Conference, being impressed with the unsatisfactory position in which retailers find themselves placed through the attitude taken by a section of the trade in retailing proprietary articles at prices which in many cases barely cover the ordinary working expenses, urges that it be an instruction to the General Purposes Committee to ask the most prominent manufacturers of cocoas, starch, blue, mustard, soaps, meat extracts, condensed milk, baking-powder, corn-flour, sauces, and such other firms as it may be deemed expedient, to co-operate with them in devising means whereby an assured minimum profit of 15 per cent (calculated on sales) may be secured to the retailers; and further, that in consideration of manufacturers acceding to this request, the General Purposes Committee will notify to all affiliated associations the names of such firms, and recommend the subscribers to give prominence to the articles so protected, and that all bonus- or dividend-paying companies shall add the amount of any bonus or dividend paid to such

retail price." This resolution discloses the extent to which ordinary grocers have ceased to require any special trade skill, except, perhaps, in "dressing" a window, and have become mere agents of well-advertised manufacturers. Local combination for the purpose of buying goods in large quantities, and therefore more economically, is another question under active discussion in the grocery trade. It is adopted to a slight extent among chemists' associations, and is in successful operation in almost every town in the United States.

The retail tobacco trade has for many years suffered severely from extreme cutting of prices, and the lot of the small tobacconist has been made much harder in the last five years or so by the competition of large firms with many branches, able to secure all the advantages of doing business on a large scale. The small retailer, even with the aid of an ancillary trade in sweets or newspapers or walking-sticks, is little fitted to compete with a firm like, say, Salmon and Gluckstein (and there are several others), which has £500,000 capital, about 140 branches, and its own manufacturing departments, and is ready to accept a smaller rate of profit on a larger turn-over. Local associations of tobacconists have long sought to deal with the "evil" by fixing standard prices, but they have generally been too weak to enforce their rules. Thus we find the Amalgamated London Tobacconists' Association fixing prices on a scale of profit of 20 to 25 per cent above list prices according to quality (*The Grocers' Monthly*, 22nd September 1900); the working expenses, it may be noted, are reckoned at 12½ per cent. In June 1900 the United Kingdom Tobacco Dealers' Alliance was formed by a delegate meeting of the local associations, in order "to maintain fair and uniform retail selling prices for all tobaccos and cigarettes as fixed from time to time by the Governing Committee." This Committee is empowered "to enter into agreements with manufacturers or Manufacturers' Associations, or combinations,

by which non-members of the Alliance be charged a price at least 10 per cent on all tobaccos, and 12½ per cent on packet and loose cigarettes higher than the highest price charged to any member." The members of the Alliance bind themselves to sell only at the Committee's prices, and to deal exclusively with those manufacturers who actually conform to the agreements just specified. In this way the trade will sink the individual desire for gain, and unite on the grand common principle of the boycott.

After this imperfect survey of British industry, we can discern a steady movement towards combination, ultimately developing into private monopoly, a movement arising from the destruction of profits by competition. In almost every one of the cases which we have detailed, years of keen rivalry have eaten away all the gain in manufacturing or trading. Attempts to reconcile the conflicting interests have produced some form or other of voluntary association to control selling prices; but these bodies, even when guarded by the provision of money penalties for breach of rules, may at any time be wrecked by the greed of one member or the starting of a new competitor. Sooner or later they break down, and the trade either slips back into the slough of bankruptcy or advances to the consolidation of rival firms into one large company. "Steadily," says the *Textile Mercury*,[1] "although at a rate far less rapid than in the States, amalgamation of kindred concerns is going on within our own borders, and there is nothing to prevent, but, so far, much to encourage, further unification of existing interests." And Dr. Bonar, in his presidential address to the Economic Section of the British Association in 1898, said: "Our experience is that every stage in civilisation, or even in economic theory, is temporary as a superstructure, though permanent as a foundation. Our posterity may be living under a system of low interest, small profits, high wages, and great companies." In looking at the progress of trusts, we must not confuse

[1] 22nd April 1899.

the investors' or Stock Exchange standpoint with that of the manufacturers. Since "industrials" became popular, investors have been dazzled by the opulent dividends of J. and P. Coats; and consequently when the English Sewing Company's dividend fell from 8¾ to 7½ per cent, and the Yorkshire Woolcombers paid no dividend on their ordinary shares, there was dismay on the Stock Exchange and jubilation in the anti-trust camp. The mere formation of a combine will not magically transform business, nor will it make profits when there are no sales. The Woolcombers, for instance, are in no worse position than their greatest independent rivals, J. Holden and Sons. Investors must wait in patience till a "combine" gets into working order, and meanwhile economists are only concerned with the trust as an instrument for performing public services.

Our great commercial competitor Germany is in a state of industrial transition similar to our own. Its best-known combination is the Rhenish-Westphalian Coal Syndicate, which controls 94 per cent of the coal-mines in West Germany, exclusive of the State mines, and was the outcome of the reaction succeeding the inflation of 1889-91. The thriving iron and steel industries are also ruled by syndicates of rolling-mills, steel-works, blast-furnaces, etc., covering almost every department of this branch of production. The Hamburg America Company and the North German Lloyd Company, whose capitals together amount to £9,600,000, own more than half the entire tonnage of the German steam fleet. Ninety-eight per cent of the raw sugar manufacturers and sugar refiners are in a syndicate, and the Alcohol Trust of producers and rectifiers of alcohol controls much the greater part of the production of the country. "There has been remarkable activity of late in the formation of organisations of various kinds among manufacturers, all having the object of controlling prices or otherwise regulating production. The *Handelspolitische Korrespondenz*

enumerates nearly twenty such organisations for the current year, and still others are in prospect. The rolled-wire syndicate has just been renewed for three years, and the price advanced by two shillings a ton."[1] Two years later we find mention of syndicates raising prices heavily in the paper trade, coloured cotton goods trade, and the making of alizarine dyes, and new syndicates of plush-manufacturers, salt-makers, chain-makers, sheet-iron manufacturers, rolling-mill owners, soap-makers, and safety-fuse makers being formed. Belgium and Austria have each a very powerful "iron ring," and the latter is extending its operations to Hungary. Russia has its coal syndicates; and Japan has a Cotton Spinners' Trust, which fixes prices on the basis of an established profit above cost, and grants bounties on exports.

Since America in 1888 awoke to the existence of Trusts, and straightway fell into a panic terror, it has been the classic land of such organisations. The original form of the "trust"—the union of a number of companies by a majority of the shareholders handing over their shares to "trustees," who issued certificates in lieu to the holders, and thereafter managed the united undertakings—has not crossed the Atlantic, and has not even continued to be the sole method of concentration in its native home. The discrepancy between the associations of the name and the actions of the promoters of the thing has done much to discredit all forms of industrial unification. Yet moral disapproval has not prevented their growth, and now Mr. Chauncey Depew, who is closely associated with all the great industrial magnates, estimates that the trusts employ eight-tenths of the capital and two-thirds of the labour of the United States.[2] Mr. Byron W. Holt, in the *American Review of Reviews*, June 1899, gives the following useful summary of the present condition of industry in the States:—"Outside of grains, vegetables, and fruits in manufactured forms, and of live

[1] *Economist*, 22nd October 1898. [2] *Loc. cit.* 15th April 1899.

stock, it is difficult to purchase any article upon which there is not an artificial price, fixed either by the producer of the article itself, by the producers of the raw materials used in making the article, by the dealers in it, or by agreements between any or all connected with the manufacture or sale of the article. Competition inside the different industries exists only to a limited extent, if at all. Outside competition (of one produce with another) is becoming more and more important, and hence we see the great trusts in affiliated industries getting together.

"Besides the incorporated trusts, which probably number more than five hundred in the United States (and are capitalised at $6,000,000,000 to $8,000,000,000, although their actual capital is probably less than $3,000,000,000), there are perhaps five hundred more agreements and pools between competing manufacturers and transporters, which, from the standpoint of the consumer, are as effective, injurious, and obnoxious to just the same extent as are the great corporate trusts. These agreements are often, if not usually, kept secret, and the public has little or no knowledge of them until some competitor or former member announces the fact, or brings suit against the trust. The steel-rail, steel-beam, nail, chemical manufacturers, anthracite coal, and insurance trusts are, or were, of this class. None of their agreements had, or could have, any legal recognition, and some of them were not even written agreements. And yet these have been among the most effective trusts as respects raising or sustaining prices.

"Probably the most numerous class of trusts are those which are to be found everywhere in the trading world—the hundreds and thousands of agreements among wholesalers and retailers. Thus the drug trade is filled with national, State, county, and local 'associations,' which fix wholesale and retail prices of hundreds of important articles, notably of proprietary medicines. Wholesale grocers in most States and cities, and often the retail grocers too, have

many price agreements among themselves, and with the manufacturers."

This bird's-eye view of the internal organisation of the three leading industrial nations enables us to give a decisive answer to the question raised in the opening chapter as to the permanence of trusts. M. Paul de Rousiers, in his recent inquiry into American trusts,[1] decides in the negative. Concentration, he admits, is a necessary element, but yet not a sufficient one. There is always another element "of an exceptional and artificial character"—the complicity of the railway companies in the case of the Standard Oil Trust, the protective tariff in the Sugar Trust, and so on. "The reason why England offers no example of trusts," he says, "is that the artificial condition necessary for monopoly is not found there. The establishment of free trade has cut short the injurious interference of the State with private industrial interests." This reference to England, we have seen, is completely falsified by recent events. To quote Professor Ashley:[2] "The movement towards some mitigation of the influence of competition in the determination of price is very widespread in American industry. It is one of the chief directions in which the force of self-interest, which but recently made only for individualist competition, is now making itself felt; and it takes a hundred forms, varying in durability and thoroughness. The 'trusts' represent but the culmination of this movement, and to isolate them, as is so often done, from the general economic environment, is to give a thoroughly false idea of their real significance. . . . The trusts are, in the main, simply an attempt to lessen and, if it may be, avert altogether the disastrous and harassing effects of cut-throat competition, after a completer experience of what that competition means than any country has ever been through before. Their formation has in most instances

[1] *Les Industries Monopolisées aux États-Unis*, Paul de Rousiers (Colin et Cie, 1898), chap. x.

[2] *Surveys Historic and Economic*, pp. 383, 385. Longmans and Co., 1900.

followed upon a period of over-production and consequent depression. For the nerves of the American business man have at last revolted, and demanded some decently comfortable measure of stability. This, I am convinced, is the underlying cause of the movement towards combination." The self-interest of traders and manufacturers devised the weapon of competition as the best wherewith to subserve their ends; finding that its point inevitably turns against them, they are abandoning it and protecting themselves behind the shield of combination. The immediate future of industry lies with the private monopoly.

Trusts, combinations, and all other forms of monopoly mean a great advance in the organisation of industry. They save capital and labour by running only the best establishments, and the manipulation of a large mass of capital enables them to procure the most effective labour-saving machinery and to perfect the division of labour. By placing the different departments of an industry under a hierarchy of specialised managers, as is done in any large railway, the keenest intellects are set free to attend to the great operations of trade. Energy is further saved by placing a number of establishments under the best experts, whose skill was previously restricted in its application, and by the common use of information and inventions formerly appropriated by individuals. By virtue of its size a trust possesses in a transcendent degree that advantage which every large business can obtain by making various articles necessary for its purpose. Thus the Standard Oil Company saves 46 per cent by making its own barrels, over 50 per cent in cans, and 30 per cent in cases, altogether over ten million dollars annually in these three articles alone, and there is a similar cheapening in tanks, pumps, stills, and other apparatus. Again, by working on a large scale a trust can extract profit from the utilisation of by-products, which private firms must leave alone owing to the expense; and it finds an advantage in keeping a scientific staff constantly at work

on the improvement of processes. In the distribution of its products it can reduce the cost of transportation by having depôts all over the country and supplying its customers from the most convenient works; it can dispense with a great deal of advertising and with many agents and travellers; it can deal directly with the ultimate consumer, neglecting all intermediate dealers,—thus the Standard Oil Company has its own agents in Europe instead of independent consignees. Being the only customer, it can control the market for the raw materials it requires, and Mr. E. J. Smith has shown in the case of the Birmingham "alliances" how effectively it can deal with foreign competition. All these features, or most of them, are to be found in the British combinations already described.

When competition inside an industry has been eradicated by some form of combination, our expectation would be that prices would remain steady at the most profitable point, and that consequently the tendency towards periodical crises would be averted and employment made more regular. This would be a vast gain to the community, and there has been much dispute as to whether it has actually been achieved in the United States or not. Summing up the controversy, Professor J. W. Jenks says:[1] "The diagram giving prices of petroleum shows that, since the Standard Oil companies were organised into a trust, prices have been a good deal steadier; but frequent sudden changes in prices for short periods, if prices had been given by the month, show that not even that trust has complete control of the market for both raw and refined oils. The diagram showing the prices of sugar gives no evidence whatever that the Sugar Trust has had any influence in steadying prices. They have fluctuated as much since as before the formation of the trust. The diagram representing the history of the whisky pools and trust shows peculiar results. While during the existence of a pool prices have not varied nearly so fre-

[1] "Trusts in the United States," *Economic Journal*, March 1892.

quently, when the changes of prices have come they have been of greater extent and they have come more suddenly and unexpectedly than would have been the case under free competition. The trusts, then, are not too readily to be credited with having brought about great steadiness of prices, though they might have done much in that direction, and their tendency may be said to be in that way. The whisky combinations and the Standard Oil Trust seem really to have attained that result to a good degree." It is interesting to compare with the American trusts the Westphalian Coal Syndicate of Germany. H.M. Consul at Düsseldorf states[1] that "the benefits of these combinations, under admirable organisation, have proved of incalculable value, not only to the coal trade itself, but to that of iron and steel and trade in general, and consequently when an improvement again set in last year the rise in price was slow and steady, with the result of mutual confidence being permanently established. As it is, the syndicate is not asking the prices which could be got, but merely those which they know the industrial customer can afford to pay in the face of great demand." We may, therefore, conclude, after making due allowance for the exigencies of warfare with still-existing competitors and the vagaries of the speculation which attends some American forms of business, that even existing trusts tend to steady prices, and by their elimination of competition to avert commercial crises.

There is, however, another side to private monopoly, even if we put aside as exceptional those illegalities of which Mr. H. D. Lloyd has given such abundance of detail in his *Wealth against Commonwealth*. The most common complaint against them is that they raise prices capriciously and unduly, a complaint which certainly does not hold good against the Westphalian Coal Syndicate, but which is constantly raised in the United States. On

[1] *Board of Trade Journal*, June 1898, pp. 674, 675.

this point Professor Jenks, in the article already quoted, says: "The facts in the United States seem to lead to the conclusion regarding trusts and combines, so far as their effect on prices is concerned, that while they have it in their power to make profits at somewhat lower rates of prices than would be possible under free competition, they nevertheless do probably check slightly the normal decrease in prices that comes with increasing facilities for manufacturing. At any rate they hold prices, so that they can make much better profits than under free competition. Competition, however, and the checked demand that would come with too high prices, generally in the long-run prevent prices from being much higher than under free competition. Trusts cannot be entirely arbitrary in fixing prices. This seems to be the universal testimony." In the early part of 1899 an official inquiry was held on the great Austrian trust, the "Prague Iron Ring," in the course of which some interesting disclosures were made. It transpired that the prices fixed by the "ring" were so high that even when the import duty and the cost of transport were added to the prices of foreign iron they were still more advantageous than the home prices; but yet Austrian customers could not avail themselves of this source of supply, for, as the director of the Prague company admitted, owing to international agreements between the iron-manufacturers the German ironworks "respected the frontier." There is some evidence that British combinations have raised prices, but only where previously goods were sold at unremunerative rates, and there appears to be no ground so far for supposing that the new rates are unreasonable. It must not be forgotten that the interest of producers does not lie in selling at the highest price but at the most profitable price, which is by no means necessarily the same thing. Indeed, as the directors of W. Cory and Co. astutely remarked in their prospectus, advantage might be found in reducing prices for the sake of the greater demand thus

evoked. The essentially important thing is not that prices are raised, but that the only safeguard of the consumer consists in the perspicuity of the managers of these great combinations. The directors are in business for profits, not for philanthropy, and there is no guarantee that they will consider that their interests lie in the same direction as those of the community.

The private arrangements by which the great foundational transport industries are controlled, and the conduct of some companies monopolising a public service under Parliamentary concessions, show how inimical private monopoly may be to the public welfare. The railway system of this country had scarcely been started before complaints began to arise from the trading public that the new monopoly was burdensome on industry; and throughout succeeding decades the same grievances about preferential rates in favour of one place or one trader against another, or even in favour of the foreign against the home producer, of heavy charges, of capricious refusal of facilities of transport, and so on, were repeated before one Parliamentary Committee after another. The last great revision of railway rates took place in 1891-92, and the result of the companies' action was to set the whole industrial world ablaze. The House of Commons unanimously declared on 3rd March 1893—"That in the opinion of this House, the revised railway rates, charges, and conditions of traffic are most prejudicial to the industries and agricultural and commercial interests of the country, and this House urges upon the Government the necessity of dealing promptly and effectively on the subject." A Select Committee was appointed, and its report and the evidence given before it proved the charges up to the hilt, and the Railway Commission was in 1894 empowered to reduce all unreasonable rates. Nevertheless, in 1896 the delegates appointed by the British Iron Trade Association to inquire into the conditions of competition in the iron and steel

trades on the Continent reported that—"The delegation are agreed that the greatest factor in favour of the foreign producer is the much larger cost of carriage in Great Britain. Figures are given to show how greatly English manufacturers are at a disadvantage in respect of railway carriage, and prove that Continental rates are generally at least one-half of the rates charged in this country for long-distance traffic. . . . If English manufacturers enjoyed the same rates and royalties as those existing on the Continent, foreign competition could be defied in neutral markets." Two years later the complaint was still the same, for at the annual meeting of the British Iron Trade Association in May 1898 the president said: "We also think it is worthy of serious consideration whether specially low rates should not be granted for export, seeing that these are granted by Continental lines to traders on their systems."

The effects of the Shipping Rings on British commerce are quite as serious. While the freights from British ports are controlled by the "conference" lines, shippers from those foreign ports where competitive rates still prevail are enabled to undersell British traders, and in some cases British shipping companies have deliberately cut rates at foreign ports in order to secure a share of the traffic, heedless that they were fostering foreign competition at the cost of home producers. When the export trade from Antwerp, Rotterdam, and Hamburg was in its infancy, English shipping lines offered preferential rates in order to secure the new trade, and thereby completely destroyed the previously existing British monopoly of the Eastern markets for iron and steel. In 1883-84, Britain exported 99 per cent of the iron and steel taken by India, in 1896-97 only 58 per cent, the difference coming from Belgian and German firms. The Report on the *Trade of the British Empire and Foreign Competition* issued in 1897 contains abundant particulars of the way in which British trade to China and Australia has been displaced by foreign goods,

but one example must suffice. "Conference steamers carry American cotton goods from New York to Shanghai at 25s. to 25s. 6d., and out of this pay the Atlantic steamer about 7s. 6d., leaving only 17s. 6d. to 19s. for the voyage from Liverpool to Shanghai. This is the same class of goods competing with the goods from Liverpool, and paying the Conference steamer 47s. 6d." The cheapest way to send goods from Manchester to Java is to send them first to Amsterdam *viâ* Hull, and then from Amsterdam to Java by a steamer calling at Southampton. Manchester spent some fifteen millions on a canal, in order to obtain freedom from the railway monopoly; but, as Mr. J. R. Galloway told the British Association in 1898, "the fruits of that enormous sacrifice are practically wasted, except as regards Bombay, by the action of shipping rings in preventing steamers from making use of the water-way." Similar examples can be multiplied from the speeches at meetings of Chambers of Commerce, and the bitter denunciation of these "iniquitous conspiracies"[1] shows how deeply their exactions eat into trading profits.

State action in certain cases directly creates monopolies, as when Parliamentary powers are granted to work gas, electricity, water, and tramway concessions. The stringent regulations under which these powers are usually now given are proof of the dangers innate in monopolies, and it is a matter of common knowledge that even these precautions are not sufficient to prevent serious abuses. The telephone service may be taken as the most noteworthy instance within recent years. When in 1882 the Government had to define its position with regard to telephones, a system of entirely free competition was instituted for the whole country, but the smaller companies were bought up by the larger, until in 1892 the National Telephone Company emerged with an actual monopoly not subject to any strict governmental control, and, while its capital six years

[1] *Textile Mercury*, 28th January 1899, p. 60.

later stood at about six millions sterling, the Post Office calculated that the plant could be replaced for a third of that sum. A Select Committee of the House of Commons was at length appointed to examine into the validity of the grievances alleged by the mercantile community, and it reported in August 1898 that "the telephone service (1) is not at present of general benefit, either in the United Kingdom at large or in those limited portions of it where exchanges exist; (2) is not likely to become of general benefit, either in the country as a whole, or in existing or future exchange areas, so long as the present practical monopoly in the hands of a private company shall continue."

We are thus constrained to the decision that, however great may be the advantages which a private monopoly possesses as a highly organised instrument of production, we cannot with safety rely upon the self-interest of its proprietors, either to supply the needs or perform the services which the community demands in the manner most conducive to the common welfare.

Several other reasons have been alleged why the tendency towards combination should be viewed with suspicion. It is not to be expected, we are told, that directors who have only a small pecuniary interest in a company should exhibit the same acumen and foresight shown by the great captains of industry who were inspired to action by the hope of personal gain. But these prophets overlook the fact that all the great industrial combinations are managed by the previous owners of the competing businesses, that as a rule they hold the largest amount of stock which the Stock Exchange rules permit, and that they have behind them the impelling force of thousands of shareholders greedy of dividends. These great undertakings can buy up the best talent in the market, offering the inducement of a high remuneration, and holding forth the threat of severe punishment for failure. There is also reason for doubting whether the abilities of men who have reduced profits to a negative

quantity, or who possess the business knowledge described by Mr. E. J. Smith, are of the resplendent order which admirers of the old state of things maintain them to be. A more actual danger is over-capitalisation, of which the Salt Union and the National Telephone Company are striking examples, due to the necessity of offering inducements to independent firms to consent to a fusion of interests, and of rewarding promoters for their services. In the United States this evil is very general, partly owing to the desire to conceal the profitableness of the undertaking by paying dividends on watered stock, partly in order that interested persons may make illegitimate gains from speculation. Fortunately these motives do not, as yet, rule so strong in this country, nor are promoters' gains as high as on the other side of the Atlantic; but still there are undoubted dangers to be guarded against. Last but not least of the economic arguments against trusts is that they must operate detrimentally against the workman in the framing of the contract of service—a proposition so self-evident that it need not be discussed. A perfect private monopoly holds both worker and consumer alike in the hollow of its hand.

The political influence which a body of independent capitalists can wield is always great, but when this heterogeneous collection of persons is welded into a corporation its power of determining the action of parliaments and municipalities is enormously increased. The greatest scandal of the United States is the open and unblushing exercise of control over politics by the trusts. Despite the public vituperation, not only politicians but parties are bought directly or indirectly, tariff laws are "fixed" to suit the purposes of the greatest contributors to the war-chest of the successful party, and at least the minor courts of law are terrorised. The United Kingdom has long prided itself on the purity of its politics; but even where open bribery is not resorted to, capital can make itself dominant by the sheer mass of its units and the importance of the interests repre-

sented by a small number of heads. Of this we have ample evidence in the manner in which the banking and railway interests sway the House of Commons. Nor are there wanting signs of a more sinister development. Summing up the session of 1899, *The Economist* said:[1] "It is undeniable that during the session just ended there has been an atmosphere of money in the lobby and precincts of the House of Commons scarcely known before. All manner of 'interests' have gathered there as they gather in Washington and in the various State legislatures in America. More attempts to influence the votes of members have been made than has been known before, or, at any rate, than members can recollect since the days of railway construction. Incidents connected with the Telephone Bill, the Petroleum Bill, and the Clerical Rates Bill point to a closer connection between finance and legislation than is desirable or safe. Had the Government stood firm against any policy of 'doles,' it might be acquitted of any responsibility for this suspicious connection. But when we recall the large sums of money voted away to the clergy and to the landlords—English and Irish—we can scarcely deny that some unfortunate encouragement was given to this dangerous union between public legislation and private interests." The same influence is discernible in municipal elections; at the London County Council election of 1898, for instance, shareholders in the National Telephone Company and the tramway companies received circulars urging them specifically to vote for that municipal party which was supposed to be most favourable to the claims of private interests, and against those candidates who insisted on the rigid application of the law of the land.

The new stratification of industry produced by the joint-stock company system has important results both on the political and economic effects of combinations. In the United States concentration of wealth appears to go on side

[1] 12th August 1899, p. 1151.

by side with the concentration of industry, the ownership of the trustified industries being mainly in the hands of a comparatively small number of individuals; but in the United Kingdom the fusion of a number of firms into one corporation, or the conversion of a private business into a public company, is attended by a diffusion of ownership. A few examples will make this clear. Taking first the conversion of "family companies" into public companies:—

	Share and Loan Capital issued.	Taken by Vendors.	Number of Shareholders.
Pease and Partners .	£1,400,000	£533,330	1,672
Doulton and Co. . .	1,100,000	633,330	1,324
Bell Brothers . .	1,300,000	600,000	524
Measures Brothers .	360,000	120,000	1,269

In these cases we see that, while the number of owners is largely increased, the large amount of shares taken by the vendors leaves the management of the businesses almost as completely in the same hands as before. Where, as not infrequently occurs, the whole of the ordinary shares are retained by the vendors, the public share- and stock-holders are simply in the position of mortgagees, without any power to control so long as their dividends are regularly paid. Actual combinations show practically the same result:—

	Share and Loan Capital issued.	Taken by Vendors.	Number of old Firms.	Number of Shareholders.
Fine Cotton Spinners	£4,000,000	£1,333,350	31	3,934
Bradford Dyers .	3,000,000	1,000,000	22	10,731
Bradford Coal Merchants . .	199,790	119,790	8	237
Aberdeen Comb Works	300,000	133,333	3	677
Cooper, Cooper, and Johnson . .	340,000	70,000	3	2,082

The vendor companies always constitute the first board of directors, and the concentration of their interests compared with the diffusion of the rest of the stock into small parcels gives a unity to the business which the number of owners would appear to forbid.

It is an interesting subject of speculation how far this diffusion of ownership may be taken as representing an actually wider diffusion of wealth in the community. There is certainly a greater diffusion of industrial capital, for the fashion tide of investment has set strongly in favour of industrial securities as affording a prospect of good profits, just as on previous occasions it ran as strongly in favour of mines or of American railways or Argentine stocks. We have to deal with a diversion of investment from what was mainly shadowy to something more substantial, but the new investment comes from the same sources as the former. Apparently there is a sum of about £80,000,000 per annum available for investment in new securities, and this chiefly represents the surplus savings of the propertied classes. The working-man's savings go to his trade union, his friendly society, and the savings bank; the class immediately above insure their lives or put their money in their business. Nevertheless, promoters find that it pays to give facilities to the small investor, and in this way the joys of property get spread beyond the social ranks who chiefly monopolise them.

The small investor, like the small landlord, is to a grave degree a social danger. He represents capital reduced to its naked simplicity; divested of every shred of responsibility, and of all power of fulfilling his duty if he felt it, ignorant of everything belonging to the business in which he holds shares, his functions are confined to drawing his dividends and abusing the directors when they are not high enough. A private manufacturer comes into personal contact with his men, and is subjected to public odium if his action is not up to the standard which public opinion demands; but in a company the managers and directors shelter themselves

behind their duty to their shareholders, and the latter cheerfully throw all the burden of the details of business on their officials. Let us imagine the present development carried a bit further, until all industry is managed by great companies which hold the worker and the consumer tightly in their grasp. A comparatively small class of shareholders, shrouded in anonymity, will then be the owners of the community, and will be subject to every temptation to exploit their fellow-citizens, confident that the well-paid managers and directors will act as lightning-rods when the storm of obloquy breaks. Such a state of things could only have one end — violent revolution. An exactly similar condition is created on a small scale when we have a share-holding class not only politically free but, owing to its wealth, supplying the bulk of the members of the House of Commons. All its interests lie athwart the movement in favour of factory laws and a higher standard of life. The greatest task of the State will be to overcome the resistance of that section of the community which has concentrated industry but diffused the political power of capital.

The American correspondent of *The Economist*[1] brings forward another argument against combinations which derives its force from the nature of joint-stock structure. "The average thinking commercial man," he says, "who is not an employer, is inclined to find fault with these great industrial combinations, as well as with the tendency to form commercial combinations, because of their social effect . . . in short, that we will become a nation of industrial and commercial employés practically permitted to enjoy life in greater or less degree, by the permission of other employés, or sub-captains, who will take their instructions from the small company of captains of industry who promise, in time, to be in control of the necessaries, as well as the luxuries, of life, their production and distribution." To a strongly individualised nation like the Americans this

[1] 12th August 1899.

argument appeals powerfully, but it only describes the position in which the great mass of workers has been since the factory system began, and not a state of things newly created by the trusts. We might expect, and experience of our civil service warrants us, that the direction of ambition might shift, and that an able man, instead of looking forward to being a small manufacturer or a commercial man, may aim at becoming a sub-captain of industry, where he would have both more responsibility and more surety of permanence. Where the combinations themselves do not look after their workpeople it will become the duty of the State to step in.

CHAPTER X

TRADE UNIONISM

AFTER the collapse of the Owenite movement amid depression of trade, the hope of any permanent combination among the working classes seemed slender indeed, but reviving trade once more called the dead or moribund organisations to life. The depression of 1847-48 again proved fatal to many of the new societies, and contemporary observers confidently predicted the early outbreak of a violent social revolution. Two causes, however, co-operated to maintain the unions and to keep the workers to peaceful methods. One was the long period of almost uninterrupted good trade which set in about 1850. When trade was increasing by leaps and bounds and the demand for labour was brisk, the working people for once found themselves in a strong strategic position; they were in a situation to make demands which it was more advantageous for the masters to grant than to refuse. Naturally the trade unions throve on success, whereas their predecessors of 1825-42 had been strangled by adversity. Moreover, if starving men cannot carry out a revolution, they are still less capable of the prolonged tenacity required for the building up of a great labour organisation. For such a task men of capacity and foresight are needed, and these qualities are not to be found except where a certain level of comfort exists. There are definite physical conditions precedent to

the efficient exercise of mental powers, and these conditions were provided for the working classes by the expansion of industry which followed the adoption of free trade. The second promoting cause of trade unionism was factory legislation, both directly by its amelioration of the condition of the workers, and indirectly by its destruction of the theory that workmen were to be regarded and to regard themselves as isolated units, and by its elevation of industrial problems to be matters of supreme importance to the whole nation.

The powerful development of trade unionism among the cotton operatives, who are the best legislated-for class of the industrial community, is alone sufficient proof of the efficacy of legislative enactment as an impulse to voluntary co-operation; but the case of the miners is much more striking. As late as 1840 they were half-brutalised serfs from whom it appeared impossible to expect anything in the shape of ordinary intelligence, let alone combined action. Yet the concession of the first Mines Act of 1841 was followed by a great mental awakening. The best or the miners joined the Chartist agitation, and with the help thus gained unions were formed which in 1843 were combined into the Miners' Association of Great Britain, representing at least 70,000 workers. An able legal agent was employed and the truck system stamped out. Then came the great strike of 30,000 miners of the North of England in 1844, to secure honest determination of wages and reasonable contracts, which lasted for five months and survived the expulsion of the strikers from the masters' cottages and the coercion of credit-giving tradesmen by their landlords, and only collapsed when fresh hands were imported from Ireland and Wales. That such a contest could have been carried on in a law-abiding manner by such men was little short of a miracle; and though the Association naturally collapsed after the defeat, sufficient fragments of union were left for Alexander Macdonald

some fifteen years later to weld again into a powerful organisation.

The new trade unions were very different both in temper and methods from those of the Owenite period. The latter were visionary and revolutionary in their aims, socialist in their basis, and violent in their methods. They were fighting organisations, yet without funds, seeking by sectional strikes to secure improved conditions of labour, and by a national cessation of work or by a political revolution to alter the constitution of society. In fact, the "old unionism" of the thirties had many striking resemblances to the "new unionism" of the nineties. The new leaders, on the other hand, had given up socialism, and had adopted the creed of their opponents. They believed as strongly as Cobden or Ricardo in free trade and free contract; they accepted supply and demand as the governing principle of industry. Only they held that what was right for one workman to do was equally right for many. If one workman could withhold his labour in order to secure better terms, so too could a whole union. They recognised the salient fact, obscure to the economists, that individual workmen had less power of economic resistance than individual employers, and this weakness they proposed to remedy by substituting collective for individual bargaining. The change in method was as great as the change in principle. Whereas the old unions had been militant congregations of men, the leaders of the new societies were constantly ingeminating peace. If war was absolutely thrust upon them, they did not hesitate to take up the gage of battle, but otherwise they were averse from squandering their painfully accumulated funds for the mere sake of fighting, and no small part of their labours consisted in trying to induce their followers to proceed by ways of peace. From the very beginning of the resurrection of trade unions, there is a steady denunciation of strikes in every labour organ as a wasteful and injurious method whereby to attain their

ends. Trade union secretaries preferred to substitute negotiation for stoppage of work, and where this means failed, to adopt two other expedients, the one borrowed from Cobden, the other inherited from Owen. In the early years of most modern unions, we find an emigration fund as a regular item of expenditure, intended, as Cobden advised, to call in the labour market of the New World to redress the balance of the old. But although it afforded a provision for victimised workmen, the unions soon found that only their most energetic members, whom they could least spare, availed themselves of it, and that in times of depression, when competition was greatest, those removed by the fund were but as a drop out of the ocean. Therefore, after a more or less brief period of trial, emigration funds were quietly dropped. The inheritance from Owen was of a more revolutionary character, and was indeed the tribute paid by growing wisdom to the old idealism. Shortly after the revival of trade union activity, the "National Association of United Trades for the Protection of Labour" was formed in 1845, not to supersede but to aid the sectional unions; and side by side with it was constituted the "National United Trades Association for the Employment of Labour," to employ in its own workshops men who were out on strike. The former Association soon perished through its inability to finance prolonged strikes, and the latter was only able to find work in 1847 for a hundred and twenty-three men, and these hand-workers.

The internal constitution of the unions underwent important changes. The early unions were either small local trade clubs or gigantic and unwieldy loose agglomerations of men, whose association was contemplated to exist but a short time, for the accomplishment of a social revolution. The proximate aim of the new movement was to bring all the men in each industry, formerly grouped into local clubs or rival societies, into one strong national union. The first conspicuous success was the welding together of

the different unions in the engineering trade into the Amalgamated Society of Engineers, which was achieved in 1851 by the arduous labours of Newton and Allan. Before the end of a year it included eleven thousand men, each subscribing a shilling a week; and its gallant but unsuccessful fight in 1852 to abolish systematic overtime made so profound an impression on the trade union world that every trade made haste to learn from its constitution. It was the large amount of money collected, and the combination of "friendly" with "trade" benefits, which came like a revelation upon industrialists, though those who stood amazed or alarmed at a society income of £500 a week never dreamed that in 1896 it would exceed £347,000, with a balance in hand of £305,000. Newton and Allan saw that if wages were to be fixed by competition, the workmen could only be placed on a level with their employers by the accumulation of a fund which would enable them to withhold their labour until the masters were willing to come to terms, and that the cheapest and safest plan was to make this fund so large that their antagonists would think twice before entering upon a struggle. In this way workmen would have the power to secure by combination what they were unable to accomplish separately. A second difficulty no less great was to retain the allegiance of members after the immediate object of union had been attained, and this was met by the combination of friendly with trade benefits. Friendly societies dated back from early in the eighteenth century, and by 1815 they numbered 926,000 members. They had formed a cloak for unionism in the dark days, and now they profited by the renewal of working class enthusiasm for association. The large trade societies with their assured income could give a better guarantee of solvency than small local clubs run by men ignorant of actuarial calculations, and their offer of insurance was eagerly welcomed. A sick benefit of ten shillings a week for six months and six shillings afterwards; a grant

of twelve pounds on the death of a member and six pounds on the death of his wife; compensation for injury up to a hundred pounds; and superannuation pay of seven shillings —these benefits secured by membership in the Amalgamated Society of Engineers meant for the ordinary workman a vast increase of permanence in his position. In addition, there was ten shillings a week as "out of work" pay, and a certain amount of relief while travelling in search of a job, which saved him from the degradation of having to "come on the parish," and enabled him to keep his home together until work was to be had, while at the same time he was prevented from entering into competition with his fellows and lowering the rate of wages. The engineers also pay six pounds for emigration and loss of tools, and raise by levy ten shillings a week for strike pay. Finally, many unions also had a contingent fund for the relief of distressed members. The payment of friendly and trade benefits from the same fund struck employers as a most immoral combination. They pointed out that the power to refuse assistance placed a tyrannous weapon in the hands of officials whereby to enforce on recalcitrant members compliance with their dictates. They painted in the blackest colours the fate of the man who would find his trade friendly society overwhelmed by a great strike; and to crown all, they called the most expert actuarial witnesses to prove that every trade union was insolvent and would be unable to meet the obligations it had taken upon itself. But they forgot that the very object of the friendly benefits was to attract members, and to bind them by their interests to their fellows, and that it was well known to every member from the beginning that participation in the funds of the society was contingent upon good conduct, upon fidelity to the common cause and devotion to the common aim. The friendly benefit was a successful device to bring the selfishness of the average man into harmony with the idealism of the leaders. And they and their experts alike

forgot, when they talked of insolvency, that the unions had in their levies a recuperative power not to be valued by actuarial tables. The spectacle of the engineers maintaining their benefits through the long trade war of 1897-98, and immediately proceeding to replenish their funds, ought to put an end to this kind of criticism. Indeed, we now see the employers turning their backs upon themselves, and, in view of recent developments of policy, maintaining that the only "legitimate object" of trade unionism is the provision of those friendly benefits which formerly inspired them with such horror. The danger to trade unionism, in fact, was just the opposite of that which the employers prophesied. Instead of the reckless expenditure of society funds in strikes, the possession of a large bank balance made the officials timid. Being democratically appointed and controlled, the executive committees reflected the caution and peacefulness of members who had much to lose, and the tendency grew to subordinate all other considerations to the maintenance of the friendly benefits. The unions became almost exclusively friendly societies in the narrower sense, to the neglect of trade purposes; and we have, for example, the engineers' society taking scarcely any part in the struggle for the Nine Hours Day in 1871, and leaving the fight to be conducted by a voluntary organisation. The danger was a very real one, nor did it begin to pass away till the advent of socialism upon the scene in 1884.

The peaceful policy of the workmen did not secure them any better consideration from the masters and the legislature than had fallen to the lot of the adherents of Owen. The masters at first professed that they were ready to recognise the local trade clubs, knowing their weakness and inefficiency, but denounced any form of a national union. When the engineers were locked out in 1852, the "document" was once more produced, and the men were compelled to sign a renunciation of trade unionism before returning to work.

The victory was only formal, for consent extorted by force was not felt to be binding, and the Amalgamated Society was speedily more formidable than ever. The same tyrannous method was tried during the London Builders' Strike in 1861, but the employers were in the end glad to compromise by withdrawing the offensive document, which thenceforward disappeared from the annals of unionism. Slowly the masters learned the utility of full acknowledgment of the right of combination, and to-day the niggling hostility shown by men who will only treat with representatives employed by themselves and not the union officials, or only with the officials of one union and not with the delegates of a joint committee of trades, calls forth condemnation from wise employers as well as from the general public. It was equally hard to overcome the obstinacy of the legislature. To combine was legal, but most of the objects of combination, being "in restraint of trade," were illegal. For twenty-five years the leaders of trade unionism had to keep steadily before them the aim of obtaining a legal status for their societies, and with remarkable shrewdness set themselves to break down the opposition of their followers to political action which they had derived from memories of the fiascoes of the Owenite and Chartist periods. Although workmen had no votes, Allan, Applegarth, and their allies strove to interest them in politics, and created in the large towns trades councils of delegates from the local trades to influence public opinion upon local and national questions affecting the working classes. In those days began the natural adherence of the trade unions to the Radical party which has continued with some noteworthy vicissitudes to the present time. The first success was the Master and Servant Act of 1867, making breach of the contract of service a civil instead of a criminal offence; but during the four years' struggle leading up to it a storm of much greater magnitude was brewing, which threatened the very existence of trade unionism. The masters had adopted the policy of "the sympathetic lock-out," the law courts had

in 1867 declared that embezzlement of society funds was no offence, and the Sheffield outrages of 1865-66 made the public fear that the trade unions were a widely ramifying organisation for murder and mutilation. Thanks to the assistance of Frederic Harrison, Professor Beesley, and others of the little band of Positivists, the unions not only survived the Royal Commission of 1867-69, but came off with flying colours. For it was proved not only that the outrages were the work of a few individuals apart from whom trade crime had disappeared, but also that the unions were seeking to attain by peaceful means ends consistent with the common weal.

The Reform Act of 1867 put a much-needed weapon in the workers' hands, and at the ensuing election the unionists voted only for candidates who would support the trade union charter. Protection for union funds was obtained in 1869, and in 1871 a comprehensive bill, afterwards divided into and passed as two, was introduced. The first part legalised the unions and enabled them to be registered for trade purposes only, so that they were safe from litigation by excluded or aggrieved persons. The second measure, the Criminal Law Amendment Act, embodied in one statute all the previous laws and judicial decisions which nullified the freedom of the unions. By the use of a series of undefined phrases, such as "molest," "obstruct," "threaten," "coerce," "intimidate," "watching and besetting," which had already been interpreted by the judges as a prohibition of almost every possible act incidental to a strike, including picketing, the trade unionists were cut off from the rest of the community as a special criminal class who might not do either collectively or individually acts which were permitted to other persons. Despite a storm of opposition, the Liberal Government passed the bill, a last tribute to the *laissez-faire* manufacturers who formed its backbone. They did not comprehend that the men they branded as criminals were also voters. When under the new law a workman was sentenced to two months' hard labour for delivering hand-

bills, when other men were punished for soliciting arrears of subscriptions, when the London gas-stokers were awarded twelve months' imprisonment in 1872 for "conspiracy" to prepare a strike, and when the Government sturdily refused to consider any amendment of the law, it was not to be wondered at that the workmen thought they had had enough of Liberalism for a while. At the general election of 1874, Independent Labour made its appearance on the political stage, working through the Labour Representation League. Thirteen labour candidates went to the poll, of whom Alexander Macdonald and Thomas Burt, the miners' representatives, were returned; and elsewhere, especially in Lancashire, the election of Tories in preference to Whigs was adopted as the best policy, a policy which had the sanction of John Stuart Mill and the Positivists. Political independence was justified by success, for the Employers' and Workmen's Act and the Conspiracy and Protection of Property Act of 1876 established the legalisation of trade unionism. The Act of 1871 was repealed, picketing was permitted, violence and intimidation were left to the punishment provided by the ordinary law, and every act which an individual could do was made legal when done by a body of workmen. The full legislative recognition of trade unionism as a beneficent form of voluntary association is thus barely a quarter of a century old, and it is significant that it was obtained by the workmen utilising their power of wider association as citizens for their special trade purposes, and that in independence of both political parties. It is true that the working classes were not yet convinced that they had in state interference the most efficient instrument for the betterment of their position, and that after this violent but temporary revolt they returned to their allegiance to the Liberal party; but nevertheless the circumstances under which they obtained their charter of freedom deserve to be brought into prominence in view of the later tendencies of the politics of labour.

Trade societies were mostly local in their origin, springing out of shop clubs and district unions of such clubs, and where the industry is strictly confined to one town or district they have remained local. But in all the great trades whose members are spread over the whole country, the tendency has been to combine the local societies into one national union, although local or sectional jealousies have sometimes caused the institution of rival unions, each claiming to be national and dominant. A trade union is an open corporation, admitting every member of the trade who is willing to join, provided he is a qualified journeyman and able to earn the current wages of his district. This condition, where properly carried out, is an important inducement to the efficiency of the workman; but in most unions it has at one time or another been interpreted as an insistence on an obsolescent form of apprenticeship, to the detriment of the unions themselves. A national union is divided into branches, and is governed by central and local committees elected quarterly, half-yearly, or yearly by the members by universal suffrage. The officers are in most cases similarly elected; and while the local officers are usually men who at the same time work at their trade, the principal officials, and frequently the executive committee, are salaried persons giving their whole time to the performance of their functions. The trade union world, in fact, has, as the result of long and varied experience, been compelled to evolve a trained civil service of its own. The most interesting and most difficult problems which they have had to consider are concerned with the democratic control of their bureaucracy and the proper reconciliation of local with national requirements, and these are just the problems which are most important in dealing with the wider question of the democratic control of industry as a function of the whole community. The ordinary business is conducted under detailed rules which can only be altered with difficulty and at infrequent intervals; and questions not provided for therein are decided by the

executive, subject to their decisions being overruled by the annual conference of the union. The administration of friendly benefits is generally left to the local branches, who have personal knowledge of each case, working within the rules and under the supervision of the central body. Trade movements are, as a rule, kept under the strict control of the executive, whose consent is generally necessary before a strike can be begun or strike pay awarded. The Amalgamated Society of Engineers, for example, keeps its funds in the absolute power of the executive, and has district committees composed of branch representatives to watch over local interests and advise the executive on all trade questions. "District delegates" are also elected by each "district" to attend to organisation, and to negotiate with employers, but they must act under orders from the centre. But though of historical importance, the Engineers' Society is typical neither of the present constitution of trade unions nor of their evolution. All societies began with government by mass meeting of all the members of the local union, the offices being filled by all the members in rotation; but when the unions became national in their scope, the simple faith in the equality of man and the equal ability of all men to hold office had to give way to considerations of administrative efficiency. The segregation of a salaried official class followed as a matter of course; but the members, in obedience to the professedly democratic principle of election of officials by the people, jealously kept the appointment of all functionaries in their own hands. As a rule, a sharp distinction has always been drawn between the fluent agitator and the man skilled in all the details of his special trade problems; and, contrary to vulgar belief, few of the former stamp are to be found among trade union secretaries. The miners generally appoint as their branch officials checkweighmen, who must possess the essential qualities of readiness, coolness, and knowledge; and the cotton-spinners appoint their officers after a competitive examination in all

the duties of an official. The need for an executive committee was met at first by appointing the branches in the chief centres of the industry the "governing branch" in turns; but the short tenure of office, and the shifting character of the committee, intensified even where the seat of government was permanent by the practice of making retiring members ineligible for re-election, contributed to throw all power into the hands of the general secretary, the directly-elected servant of the whole trade. Control over the bureaucracy was sought in two ways, by framing a constitution so detailed that no initiative might be left to the secretary or executive, and by a process of Initiative and Referendum, whereby all matters not foreseen by the rules, and any proposal by any branch, might be put immediately to the vote of all the members. This system was fully tried between 1834 and 1870, with the result that the rules were always in the melting-pot and the finances endangered by proposals for generous benefits, and the price of this primitive democracy was felt to be too high. "Thus we see that half a century of practical experience of the Initiative and the Referendum has led, not to its extension, but to an ever stricter limitation of its application. The attempt to secure the participation of every member in the management of his society was found to lead to instability in legislation, dangerous unsoundness of finance, and general weakness of administration. The result was the early abandonment of the Initiative, either by express rule or through the persistent influence of the executive. This produced a further shifting of the balance of power in Trade Union constitutions. When the right of putting questions to the vote came practically to be confined to the executive, the Referendum ceased to provide the members with any effective control. If the executive could choose the issues to be submitted, the occasion on which the question should be put, and the form in which it should be couched, the Referendum, far from supplying any counterpoise to the executive, was soon found

to be an immense addition to its power. . . . The reliance of Trade Union democrats on the Referendum resulted, in fact, in the virtual exclusion of the general body of members from all real share in the government."[1] All these crude provisions for democratic control existed in the powerful Boilermakers' Union before 1895; but nevertheless the general secretary, Mr. Knight, was a real dictator, assisted by an "informal cabinet" of the subordinate officials. On the other hand, the miners of Northumberland and Durham decide all questions by vote of the members, and are remarkable for the instability of their policy. "Government by such contrivances as Rotation of Office, the Mass Meeting, the Referendum and Initiative, or the Delegate restricted by his Imperative Mandate, leads straight either to inefficiency and disintegration, or to the uncontrolled dominance of a personal dictator or an expert bureaucracy."[2]

The answer to the problem of trade union management has been found in the institution of representative government. The Amalgamated Association of Cotton-spinners, with 85,700 members, entrusts supreme power to a "meeting" of representatives from the various districts, elected annually in proportion to local membership. It meets quarterly, or oftener if called by the executive. It appoints the general secretary and an executive council, consisting partly of working spinners and partly of the district officials. The executive, again, appoints a "sub-council" of the officials for routine work, and the secretary himself engages his clerks. Essentially the same constitution prevails for the Miners' Associations of Yorkshire, Lancashire, and the Midlands, and for the Miners' Federation of Great Britain (148,500 members). The cotton-spinning and mining unions are by far the most powerful and successful, and for this eminence they are indebted to their representative

[1] *Industrial Democracy*, vol. i. p. 26, by Sidney and Beatrice Webb. Longmans and Co., 1897.

[2] *Op. cit.* vol. i. p. 36.

institutions and their civil service. There is no essential difference between the Cotton-spinners' and Miners' Parliaments and the Imperial Parliament, except that the former bodies are more democratic and their members are better equipped for the functions they have to fulfil. The spread of the representative system, and of the appointment of officers by the representative assembly, may be confidently expected. The boot and shoe operatives and the engineers have gone so far as to establish an executive elected by the whole body of members; but such representative executives, though an improvement on the old system, fail in the most important matter of control over the permanent officials, who, being elected by the same constituents and in the same way as the executive, are co-ordinate and not subordinate in power.

As the national union has superseded the local club, it has tended to assume control over the whole funds of the society, and along therewith to direct the policy of the union from the standpoint of the whole trade and not from that of a particular locality. Even where the funds are centralised, however, the branches in many cases—as with the engineers and building trades—are free to begin strikes which may involve the whole industry. Others, like the cotton-spinners, the boiler-makers, and the carpenters, forbid the stoppage of work until the consent of the executive has been obtained, and the growth of opinion in all trades turns steadily in favour of limiting the discretion of the branches. The same tendency which has led to the merging of the local in the national societies has directed the minds of workmen towards the creation of an organisation embracing all the related trades of an industry, and ultimately the whole of the labour world. The first device for achieving this purpose was a large amalgamation like the Engineers' Society, which aimed at the inclusion of all the trades of mechanism. But though this has resulted in an increase of strength where societies of exactly the same nature were

united, it has not proved the best means of defending the interests of distinct sections of an industry which were naturally often divergent, and it has the further disadvantage of unduly sinking the concerns of the smaller branches. It has therefore been replaced by the federation of kindred trades. Thus each section of the cotton operatives has its own union, but they are united for parliamentary purposes in the United Textile Workers' Association, which was suspended in 1896 and revived in 1899. The engineering and shipbuilding trades again have a federation, representing twenty-two societies, for combined action in trade disputes, and particularly for the settlement of inter-union quarrels as to the demarcation of work. The London building trades also had a very efficient federation until it succumbed in 1896 to the temptation of a rise in wages offered by the employers to the individual trades. In proportion as employers have learned the lesson of combination, the cry for a closer federation of trade unions has grown in volume during the last five-and-twenty years; and when in the course of the great engineering dispute of 1897-98 it was seen that the separate employers' associations afforded the master engineers very effectual help during the struggle, the men felt that the time had come for action, and for the systematic organisation of the money help given by one union to another in times of industrial war. The unwillingness to submit the questions affecting particular trades to the arbitrament of a supervising body, and the not wholly unjustifiable suspicion felt by wealthy unions that weaker and more militant societies wished to prey upon their ample funds, have hitherto prevented any powerful combination. Nevertheless, in the spring of 1899 a national federation was established on the basis that the constituent trades should pay an entrance fee of a halfpenny, and an annual subscription of two shillings per head of 90 per cent of their membership, and receive strike pay at the rate of five shillings weekly per member affected by a stoppage which, previous to its

occurrence, had received the sanction of the federation executive. The federation includes 400,000 members; but as several important trades have not yet given in their adhesion, and as a twelvemonth must elapse after joining before any society can receive benefit, it is too early to speculate as to the success of the scheme.

This branch of voluntary association which we call trade unionism includes only a minority of the industrial classes, 1292 unions reporting themselves to the Board of Trade as possessing in 1899 a membership of 1,802,518 persons. Many of these bodies are small and unimportant, the hundred principal unions having 1,117,465 members, with an income in 1899 of £1,864,006, an expenditure of £1,279,506, and a balance of £3,282,922. These figures show that the minority is none the less a body of great power, and that it must exercise no slight influence on the industrial organisation of the country. Even if we eliminate friendly benefits, we find that unemployed and dispute benefits, that is to say, expenditure immediately directed to raising the standard of comfort of the working classes, account for over 50 per cent of the expenditure. And these benefits represent quite the smallest amount of the work done towards this aim. All the conditions of labour are included in the legitimate action of trade unions, whether with reference to wages, hours of labour, the sanitation and safety of the workplace, the introduction of machinery, or the prevention of disputes.

All trade union action proceeds on the method of collective bargaining, but the policy underlying that method has undergone a noteworthy change. Beginning with a renunciation of the socialism of Owen and the frank adoption of *laissez-faire* and competition, we shall find that to-day it implies the recognition of a body of socialist doctrine not in principle widely different from that held sixty years ago. The object of trade unionists is to establish throughout each trade a standard rate of wages and a normal working day, so that the general standard of comfort may not be degraded

by the competition of badly-organised and poorly-paid districts. At first the old handicraftsmen sought to maintain their customary conditions of labour, relying on their vested right to the reward for their painfully acquired skill; but the sweeping changes of the industrial revolution and the removal of all parliamentary restrictions on free competition defeated their puny efforts and produced a gigantic deterioration in the condition of the factory operatives. The opposition to the introduction of machinery which this theory implied continued till long past the middle of the century. As already stated, the working classes by 1850 had adopted the middle-class doctrine of supply and demand, and the unions tried to secure for themselves by good organisation a strong strategic position in the labour market. The first crude method of obtaining high wages under the "law of supply and demand" was to restrict the supply of labourers by limiting the number of apprentices and excluding the competition of boys and women. The maintenance of a rigid system of apprenticeship soon proved impossible owing to the increased specialisation of modern industry, and the attempts to narrow the entrance to a trade led in times of expanding business to the creation of a mob of non-unionists in the badly organised districts and to the endangerment of the standard rate. The overlapping of trades caused by changes in processes has also nullified the efforts to restrict particular kinds of work to particular classes of workmen — efforts which have produced fierce intestine quarrels, "demarcation disputes," between cognate unions, such as the boiler-makers and the engineers. The tendency now is to fix a standard price for the job, and then allow any one, whether man or woman, to do the work irrespective of the historical claims of particular trades to ownership of the particular task.

The economists had proved that under free competition wages tended to the subsistence level; the trade unionists showed that wages could be raised by combination. But so

long as the masters refused to recognise the unions, the workers' only possible argument was the strike. At last the men by their strength compelled recognition of their organisation, and both parties, aweary of strife, desired peaceful means of settlement. These were found in the meeting of representatives of employers and workmen on an equal footing to determine the conditions of the contract of labour, and the success of Mr. Mundella's Board of Conciliation for the weaving trades of Nottingham (established 1860) made this new device exceedingly popular. The essential feature of the scheme was the relegation of disputes to some impartial and authoritative person, who was expected to settle questions of wages and hours according to the accepted economic doctrine. "The arbitrator," says Dr. Schulze-Gaevernitz, the great advocate of arbitration,[1] "is in the same position as any other umpire who is called in to fix prices between two independent parties, and has simply to find out what the price would naturally have tended to become if he had not been called in. As his function is to prevent a contest, he must do the work of one, and discover the state of the balance of power between the two parties by scientific methods." The assumption acquiesced in by both sides was that wages should follow profits, a fixed percentage being guaranteed to capital, and for convenience of working this was interpreted as meaning that wages should follow prices in those industries—the coal and iron trades particularly—where the cost of labour formed by far the largest part of the cost of production. The inconvenience of frequent recourse to investigation next led to the expedient of the sliding scale, whereby, a base price and wage being taken, wages were made to vary in an agreed proportion to prices for a series of years. So long as times continued good this method was in high favour, but in reality it was contrary to the workmen's interests. All improvements in production or transport or financial facilities which reduced

[1] *Social Peace*, p. 192. Swan Sonnenschein and Co., 1893.

prices reduced wages, and the worker in bad times had to bear the brunt of commercial crises and gluts, while the unscrupulous employer was tempted to over-production and underbidding by the knowledge that he was at the same time reducing his future wages bill. Consequently, when bad times came, sliding scales and all they implied went rapidly out of repute among workmen, who soon got tired of voluntarily exposing their standard of life to the attack of influences over which they could have no control.

Meanwhile, one most important section of the working classes never adopted the doctrine of supply and demand. While the miners renounced the idea of a minimum wage, the cotton operatives, ever since 1853, have based their claim for remuneration on the right of the worker to such a share of the produce of his labour as would assure him a reasonable standard of comfort, irrespective of the price of raw material, the cost of production, and the condition of the market. By a system of elaborate piecework lists, worked out in concert by the organisations of the employers and the men, provision is made for every factor affecting the direct activity of the operative: the speed of the machine and its complexity, the nature of the product, the quality of the raw material, are all taken into account in such a way that the worker receives a share of every improvement in the industry and compensation for every defect which would reduce his rate of pay below that of his fellows, and at the same time, as all work is by the piece, the assiduous and expert workman is rewarded in proportion to his attention and skill.

During the early seventies the great trade unions were mostly sinking into a condition of apathy, thoughtful only for their friendly benefits, and neither themselves active in raising the position of their members nor eager for State interference. An aristocracy of labour, they looked down upon their poorer brethren and gave them no aid in organisation. But the great trade depression which began about

1875 and reached its lowest depths in 1879 shook down the unionist fabric, and showed the workers that by accepting the employers' principle of competition they had left themselves defenceless in days of evil. Union after union collapsed or was brought to poverty, strikes ended in defeat, the numbers of unemployed mounted up to a fourth or a third of the organised workers, the wages of Northumberland miners fell 50 per cent from the rates of 1873. From the experiences of this period came a complete change in union policy, the South and West Yorkshire Miners' Association leading the way in 1881 by terminating their sliding scale, and insisting, as the cotton operatives had done, on a minimum wage. The bad times of 1883-86 reinforced the lesson, and now modern socialism began to exercise an influence on the minds of men shaken from their old intellectual basis and anxious for some new theoretic guide. The campaign of Henry George and the active and sensational propaganda of various groups of socialists after 1883, particularly the "unemployed" agitation of 1886-87, profoundly affected the rank and file of the unionists, and strengthened the hands of those who were striving for mastery with the old leaders. A wave of humanitarian enthusiasm was at the same time sweeping over the political world, arising from the disclosures of the Royal Commission on the Housing of the Poor and the Select Committee of the House of Lords on Sweating, which were corroborated by the statistical researches of Mr. Charles Booth. Trade unionism began to revive, especially among the unskilled workers, among whom the law of supply and demand still held good. The dramatic struggle of the London dock-labourers in 1889 for the "docker's tanner" and a proper minimum of work permanently displaced the antiquated theory of the economists from its dominance over the public mind. The victory gave a great impetus to organisation, and the building trades in particular were able to enforce codes of rules embodying a detailed regulation of all the

conditions of their labour. The great colliery dispute or 1893 raged round the old idea that wages should follow prices, and the gallant resistance of the men against great hardships evoked an even greater amount of public support than had been accorded to the dockers. The lock-out was terminated by the conciliatory intervention of the Government, on the express ground that the whole nation was intimately concerned in the loss to trade and the distress among the workers, and for once and all trade disputes were raised from their previous position of private affairs only concerning the contestants. The mine-owners accepted the contentions of the men that labour should be a first charge upon industry, that there should be a minimum point below which wages should not fall, and that at the same time the workers should be assured of a reasonable share of the profits accruing from enhanced prosperity.

With the exception of the miners of Northumberland and Durham and some sections of the iron trade, the whole of the organised workers adopted the new principle of the Living Wage. They have further established it as a national principle by bringing their political influence to bear upon parliament and the municipalities, and it is now admitted that the wages paid by public authorities to their employees either directly or through contractors must be "fair," which in practice means that they must conform to the rates agreed on by the organisations of the masters and the men. The vagueness of the term, the Living Wage, has been at once its weakness and its strength, by allowing an elasticity of interpretation permitting its application to widely varying circumstances. When we have said that the Living Wage must be such an amount as will secure to the workman at least the average standard of comfort current in his trade, enable him to rear up a family with moderate ease, and at the same time permit a progressive improvement in his position, we have gone to the limits of definition. But even so far is far enough, and when so much is admitted the

details can be left to negotiation. Dr. Brentano and Dr. Schulze-Gaevernitz have already proved long ago that the efficiency of labour depends directly upon the height of wages and generosity of treatment; and recent investigations by the British Iron Trade Association and the Amalgamated Society of Engineers have shown that those branches of the iron industry where German competition is most dangerous are characterised by wages which equal or even exceed the English level. The slightest thought also will convince the student that the public welfare is most furthered when the average of remuneration reaches a high standard. The contrast between the ideas as to wages with which the century began and ended is complete; and for the great barrier which is erected in the Living Wage against the degradation and inequity of wealth-distribution brought about by competition we are indebted to voluntary association in the form of trade unionism, working directly by its own strength and indirectly by its educative effect on the public.

The altered attitude of trade unionists towards machinery is closely connected with the question of wages. Employers, in introducing machinery or new processes, are not content with the extra profit arising from diminished cost and increased demand; they insist that the labour used with machinery is less skilled, and therefore less valuable and deserving of less pay. To this the men reply: "We are not averse to machinery, but, on the contrary, and subject only to the safeguarding of our interests, are willing to assist in its development to the fullest capacity. . . . The whole question from our point of view is really one of wages."[1] It is obvious that the wholesale substitution of poorly paid labourers for highly skilled and paid turners and fitters would mean a disastrous degradation of the national standard of life, as well as ruin for the persons actually displaced. The old notions of opposing machinery or of restricting employment thereon to particular classes of

[1] *Amalgamated Engineers' Monthly Journal*, May 1897, p. 53.

workers have been abandoned in favour of the demand for standard rates of wage for machine-workers. On this principle the Boot War of 1895 was concluded after Government intervention. Joint committees of masters and men were established to draw up piecework lists for machine-workers, "to be based on the average capacity of an average workman," and subject to periodic revision, all labour disputes being referred to local boards of arbitration, and measures being taken to limit the competition of badly-paid country districts. Essentially the same solution was suggested by the engineers in 1897. All changes likely to lead to dispute were to be referred to local joint-committees, with an impartial referee from the Board of Trade, and these committees, "after examination and investigation, shall fix the rate of wages to be paid, which shall be greater or less than that paid to fitters and turners, having regard to the class of machine and the quality of the work." This proposal was rejected on the ground that it allowed "outside arbitration to take control of the management of our works"; but at the end of the great eight hours struggle of 1897-98, which terminated so disastrously, in some respects, for the men, the engineer employers admitted the right of collective bargaining and of the freedom of the union to represent all grievances, and disclaimed any intention "to introduce new and untried conditions of work," or "of reducing the rates of wages of unskilled men." Although the joint-committee system is not yet fully recognised, its extension under one form or another is only a matter of time, and then the advantage of machinery will be secured to the worker as it has been to the cotton-spinner by a scheme of standard piecework rates.

The nature of factory labour requires that there should be a common rule for the working day; the only question is whether it should be dictated by the employer or arranged in consultation with the employees. Since the measure by which an operative determines the sufficiency of his earnings

is the amount required to provide the traditional standard of comfort of his class, it follows that long hours generally lead to a reduction of rates whether work is by time or by the piece. On the other hand, men are always more anxious to increase their earnings than to reduce their hours, and consequently, while the unions have always pressed for a reduction of the working day, they have found that non-unionists were less willing to come into line with them than on a question of wages, and that the union rule was easily infringed in bad times. The cotton operatives and the miners —with the exception of the North of England colliers, who enjoy a six hours day at the cost of the boys working with them—being the factory trades *par excellence*, have always pressed for the legal limitation of the hours of labour as the only means of obtaining an impregnable regulation; and the former, by the skilful exploitation of the humanitarian sympathy with women and children, secured the Ten Hours Act of 1847, and a further reduction to fifty-four hours a week in 1874. The other trades have contented themselves with exerting pressure through their unions, and the engineers won the Nine Hours Day by a strike in 1871, and the London builders in 1892 negotiated with their employers an average week of forty-eight hours throughout the year. It is undoubted that one cause of the movement for shorter hours was the desire to earn higher wages by working "overtime" at higher rates, and the advantage of the Nine Hours Day was whittled away in this manner. But, again under socialist teaching, the working classes have come to value the shorter working day for its moral and intellectual advantages, and the organised industrial world is practically unanimous in asking for an Eight Hours Day secured by Act of Parliament. The unions steadily reduce the period of overtime they allow their members to work, perceiving that overtime, alike when sanctioned by Factory Act or trade union rule, makes it almost impossible to detect infractions of the normal day. One of the complaints against the Amalga-

mated Engineers during the disputes of 1897 was their refusal to work overtime systematically, and part of the treaty of 1898 which ended hostilities was the limitation of extra hours to forty in any four weeks.

In dealing with the sanitation of the workshop and the safety of employment, the unions have adopted a method different from their course of procedure in regard to hours and wages. Availing themselves of the public timidity in face of infectious disease, and the humanitarian sentiments felt universally towards the victims of accident, they have invariably gone to Parliament to get legal sanction for their union rules. In such matters there can be no room for individual bargaining, and besides the complaints of the workers require scientific remedies. The occupants of a weaving-shed know their sufferings from an atmosphere saturated with steam, but a scale of permissible temperatures can only be established by the investigations of medical and trade experts.

Here we are brought to one of the limits of trade union action, when the reformer must enter the domain of exact science. The need of a legal sanction for an Eight Hours Day, in order to eliminate the opposition of the non-unionist and the non-associated employer, introduces us to a second. And the failure of the greatest unions to withstand the assault of combined capital is the main obstacle to unionism as a method of achieving the industrial millennium. In America the trusts hold the workers in the hollow of their hands; in Britain the engineers exhausted their own funds, used up the generous subscriptions of other trades, and yet had to surrender almost at discretion to the federated employers. As trusts develop in this country this weakness must increasingly appear. All these practical reasons are forcing the unionists more and more to supplement their society action by utilising their power as citizens and bringing in the aid of the State. Already the public, alarmed for the safety of passengers, has had to provide intervention by the Board of Trade as a remedy for the overwork

of railway servants, and every day the factory health and safety code is made more stringent. The trade unions reply, as we have seen, by handing over those two categories of their activity to the responsibility of Parliament; and though on the whole wages are as yet considered too technical a question for any one but those immediately concerned, signs are not wanting that legal sanction may be asked and obtained for the formal agreements collectively entered into by masters and men. So far the unions have confined themselves to the parliamentary exaction of honesty from employers, by compelling the correct measurement of piecework and prohibiting payment in kind. Unfortunately the means for exerting direct political influence are of the scantiest possible. The local trades councils "contribute at present little to the solidarity or political efficiency of the trade union movement as a whole";[1] but in municipal affairs, though hampered by the jealousy of the large unions, they are active in securing the election of labour candidates to local bodies and the adoption of the "fair wages" clause. The annual Trade Union Congress has become a mere debating society, introduced by a confession of failure and devoted to the confused discussion of the same series of multifarious resolutions year after year. The Parliamentary Committee does not lead the trade union world, and is not provided with enough money to conduct an efficient agitation in favour of a tithe of the resolutions passed annually. The system of proxy-voting places the Congress in the hands of a few of the large unions, and its deliberations are of less influence than the annual meetings of such trades as the miners or railway servants. All attempts to create a trade union parliamentary party independent of political parties have hitherto failed, owing mainly to personal jealousies and to the refusal of tried leaders to give up their political connections. Yet, with a sublime faith, the efforts are continually repeated, and will one day succeed.

[1] *The History of Trade Unionism*, p. 467, S. and B. Webb. Longmans, 1894.

From the standpoint of the organisation of labour, the main work of the trade unions has been to wrest from the employers a great portion of the control over industry, and even of the management of the workshop. In 1852 the engineer employers, in their statement of their case, asserted, "We alone are the competent judges of our own business. . . . We claim and are resolved to assert the right of every British subject to do what we like with our own." In 1898 the same class of masters "will admit no interference with the management of their business," but "collective bargaining is made the subject of distinct agreement." These words mark a great change. The consumer is the ultimate arbiter of what is to be produced. The employer is responsible for the choice of material, of processes, and of workers, subject only to his not introducing changes seriously affecting the standard of life of his employees. Everything personally affecting the workman—his health or his safety, his wages or his hours of work, or the intensity of labour—is a matter which concerns him more than his employer, and he is entitled to be consulted on any changes of process or organisation of the workshop affecting him in these respects. This is fully admitted in all the great industries, where the conditions of labour are determined by joint-committees of masters and men, and set forth in "agreements" which, for comprehensiveness and validity, are comparable to treaties or acts of parliament. The details of labour, in fact, are regulated by a number of private legislatures; and, furthermore, the settlement of disputes arising out of these agreements is in the hands of private courts of justice. Any complaint, for instance, of a cotton operative is referred first to the secretaries of the local trade union and employers' association for inquiry, next to these organisations, then to the central executives, and only after the failure of negotiation can a strike ensue, and then a vote of the union must be taken first. In this way the men secure a very direct influence over the selection

of raw material, the speed of machinery, and other questions of workshop management. Similar methods of procedure prevail in every well-organised trade. The piecework lists of the cotton trade, the wages board of the miners, the arbitration boards of the bootmakers, the working rules of the building trades—all these institutions represent the admission of the workers to a share in determining the conditions of labour; they are all means whereby masters and men meet together and elaborate the terms of the contract of service. The boiler-makers work under a similar agreement, elaborated in 1895, and providing for the reference of "new work" to joint-committees; wages in the engineering trade are fixed by the Federated Employers in consultation with the Amalgamated Society; and railwaymen to a large extent have made similar arrangements. In short, about a million and a-half of the workers are now taken into partnership by the employers, a tacit admission by the masters that they no longer are, nor are fit to be, dictators in their own houses. When to trade union regulations we add the mass of detailed rules under which the legislature prescribes that manufacture must be conducted, we can see how complete is the national confession that the vaunted doctrine of competition and *laissez-faire* are not proper guides to the building up of a free and comfortable community.

CHAPTER XI

THE CO-OPERATIVE MOVEMENT

THE co-operative movement of the "thirties" disappeared almost as completely as the trade unionism which Owen equally inspired. Out of the great number of stores, bazaars, corn-mills, manufacturing societies, and communities, only a few scattered and minute bodies maintained a trivial existence, while the propagandist side of the movement became a convenient refuge for fanatics on food and marriage, currency and religion. Only George Jacob Holyoake and a few other "socialist missionaries" were steadfast in the faith, confident that good must come from the truth which they preached. Time has amply justified their belief, but nothing could have been more unpromising than the outlook on that evening, the 21st December 1844, when the Rochdale Society of Equitable Pioneers opened their store in Toad Lane. Yet from that "owd weavers' shop" sprang the modern co-operative movement. Mr. Holyoake has told the romantic story of the progress of this society from 1844 to 1892 in *The History of the Rochdale Pioneers* (Swan Sonnenschein and Co., London, 1893), and it is a record of almost unvaried progress. Rochdale had already played a creditable part in the Owenite movement, and the Equitable Pioneers originated in the efforts of a group of socialists and chartists to improve the condition of the weavers and to mitigate the effects of an

unsuccessful strike. By weekly contributions of twopence, a sum of £28 was accumulated as capital, when the twenty-eight original members mustered up courage to take down their shutters and begin their sales of flour, butter, sugar, and oatmeal. Of sixteen of these twenty-eight some particulars are known: six were socialists, two "social reformers," five chartists, two Swedenborgians, and one was a teetotaller. The leading spirits were Charles Howarth and William Cooper, both socialists, and James Smithies, the first secretary, a "social reformer"—names which deserve to be held in everlasting honour. It is plain that the old Owenite idealism still lived in the leaders of the new movement, for the declaration of their objects confesses its origin in every line.

"The objects and plans of this Society are to form arrangements for the pecuniary benefit and the improvement of the social and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each to bring into operation the following plans and arrangements:—

"The establishment of a Store for the sale of provisions, clothing, etc.

"The building, purchasing, or erecting a number of houses, in which those members, desiring to assist each other in improving their domestic and social condition, may reside.

"To commence the manufacture of such articles as the Society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages.

"As a further benefit and security to the members of this Society, this Society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated.

"That, as soon as practicable, this Society shall proceed to arrange the powers of production, distribution, education, and government; or, in other words, to establish a self-governing home-colony of united interests, or assist other societies in establishing such colonies.

"That, for the promotion of sobriety, a Temperance Hotel be opened in one of the Society's houses as soon as convenient."

The colony and the hotel were doubtless concessions to the socialist and teetotal sections of the young society, but neither the great nor the small project has yet been carried into effect.

The old societies had mostly come to grief in their efforts to eliminate profit from their business. The natural way appeared to be to sell at cost price, plus an addition for expenses of distribution, but the simplicity of the idea was a fatal snare. When goods are bought in bulk and retailed in small parcels, it is impossible to work out the amount of expenses before they are incurred and to load each fraction of prime cost with its due proportion of waste and shop charges. The Owenite co-operators found that miscalculation was inevitable and ruin certain. The "Rochdale plan" was equally simple in idea without the complexity in working of the older method. It consisted in selling at the average prices of the district, and, at the end of a quarter or other regular period, ascertaining the totals of receipts and expenditure, and if there was a surplus, returning it to the purchasers in proportion to their purchases. The attempt to estimate the cost of each parcel sold was given up, and the expenses of the various departments of a store were averaged over the whole establishment; but, on the other hand, a customer dealing largely with a store would receive his goods at nearly their average cost, and the advantage of basing all calculations upon realised instead of upon anticipated facts compensated for any slight deviations from theoretical accuracy. This idea

of "dividend upon purchase" proved to contain the life-germ of the co-operative movement; from it has grown a trade amounting now to nearly seventy million pounds sterling a year. It must therefore rank as one of the greatest discoveries of commercial organisation, and the name of the man who first applied it practically, Charles Howarth, ought to stand high on the roll of the captains of industry. It is true that Alexander Campbell, a Scottish follower of Robert Owen, promulgated the same idea as early as 1823; but Howarth's discovery was quite independent, and had the merit of being followed by success. Postponing the discussion of the economic implications of the "divy," it must here be pointed out that it put the management of the store in the hands of the community of customers. Since no customer could take away more profit than he created by his dealing, while expenses of management fall as trade increases owing to economies of supervision, clerical staff, and purchasing on a large scale, the store became an "open" democracy, welcoming the largest possible accession of members. Had the profits gone exclusively either to the original shareholders or to the workpeople in the store, experience shows that natural selfishness would have prevented the beneficiaries from sharing their good things with new-comers.

The constitution of a co-operative society has altered only in details since the establishment of the Pioneers; the objects are identical except that they are expressed in more severely businesslike language. Rule 2 of the Royal Arsenal Co-operative Society of Woolwich, for example, runs: "The object of this society is to carry on the trade of dealers in food, fuel, clothes, and other necessaries, and manufacturers of the same; the trade of general dealers (wholesale and retail); including dealings of any description with land, and the trade of builders." Membership is open to all persons over sixteen years of age who are approved by the committee, and any person rejected can appeal to

the next general meeting of the society. In order to provide the society with capital, every member must take up a minimum number of shares, varying from one to five pounds, and must begin with a deposit of a shilling. No further contribution need be paid, but the dividend will be retained by the society until the minimum investment is completed. The maximum investment permissible is £200. Supreme control rests with the members assembled in their quarterly general meetings, which transact any business relating to the affairs of the society, pass the quarterly or other balance-sheets, and elect the committee, secretary, and auditors. Each member has only one vote, irrespective of the number of his shares, and no proxies are allowed. The original twenty-eight pioneers of Rochdale included one woman, Ann Tweedale, and since that time co-operators have always recognised that their women members have in all respects equal rights with men; before the passing of the Married Women's Property Act they admitted the right of a married woman to hold property separate from her husband. The committee is generally elected for a year, half retiring each six months, and a member who has served continuously for several years is usually ineligible for election for a certain period; paid officials are disqualified, and members who have not had dealings with the store to a specified amount. The secretary is also elected for a year, and is the chief executive officer, acting always "under the superintendence, control, and direction of the committee." All managers, salesmen, and other employees are appointed and dismissed by the committee, subject usually to the obligation to pay trade union rate of wages. All the business of the society is transacted by the committee, which usually divides itself into sub-committees for the different departments. We consequently have here an example of the democratic management of industry through a representative body armed with complete executive powers, and elected by an

equal and universal suffrage. There is little or no trace of the suspicion of elected persons generally exhibited by infant democracies, and finding expression in the election of all officers by the voters, and absolutely no sign of that favourite expedient of utopia-mongers, the election of managers by foremen and of foremen by workmen. It is a fact of no little significance that the two great democracies of labour, the trade unionists, who strive to control industry, and the co-operators, who aim at conducting industry, have arrived at virtually the same organisation—management by paid officials directly responsible to, and under the control of, an elected body.

Next to its democratic constitution, the most conspicuous feature of a co-operative society is the provision that its shares shall never have more than their face-value, thus again differentiating them from joint-stock companies and preventing the intrusion of people who seek only a gamble or a profitable investment. Usually the shares are withdrawable on certain terms of notice, but not transferable. The selfish interest of a member as a capitalist, apart from his interest in the society as a co-operator, is thus strictly limited, for the success of his society increases only the security and not the value of his shares. The share-capital usually bears interest at 5 per cent, this high rate being continued to encourage the accumulation of funds; but in very many cases it has been reduced to 4 per cent. The rest of the distributable profit goes to the customers in proportion to their consumption. The amount of each purchaser's dealings is ascertained by the simple device of giving metal tokens or paper checks corresponding to the value of each purchase; quarterly or half-yearly these are collected and credited to each person. After the books are balanced the profit is applied first to depreciation of buildings, etc., according to a fixed scale, next in payment of interest upon capital, then in forming a reserve fund; in societies of the best class 2½ per cent of the net profits is

applied to an education fund, and grants are made for charitable or other purposes. The remainder of the net profits is then divided among purchasing members according to the amount of their purchases, non-members being allowed half rates, while a bonus may or may not be paid upon labour.

The most rigid rule of co-operative societies is that all dealings must be for cash; a few stores give temporary credit up to the value of the shares held, but throughout the co-operative world the giving of credit is held up to detestation. Cash trading and the quarterly "divy" extricated co-operators from their thraldom to the credit-giving tradesman, and this was its first recommendation to thoughtful workmen. The possibilities of co-operation as a principle which might revolutionise industry did not appeal to economists any more than it did to any but a few working-class followers of Owen. But all alike could appreciate the advantages of the "co-op." as an engine of automatic thrift, and a security for honest dealing and pure goods. Members were attracted by these advantages just as trade unionists were by the friendly benefits offered by their union. Once in the society they came under the influence of the spirit of association, and the sense of responsibility for the success of an adventure in which they and their fellows were engaged. There was a world of difference between the sentiment of dealing at the "co-op." and at "so-and-so's shop." It was more than the magic of property which Andrew Young praised so fluently—something higher, for it was "ours" instead of "mine." In this way a vague selfishness was transmuted into a very sterling devotion to co-operative ideals, just as we find British adventurers opening up some new territory out of mere lust for gain, but British administrators succeeding them, actuated solely by a sense of their civilising mission. There is no need to claim that all co-operators reach this high level of devotion, but the early records of the movement contain pathetic and

encouraging accounts of fidelity to principle under great difficulties. It is impossible for any one who has studied co-operative history to despair of the future of the working classes.

The Rochdale Society experienced the perils common to infant democracies and small businesses; but, owing to the tenacity and prudence of its founders, it not only survived but flourished, and in 1898 its sales amounted to £287,288. It soon found imitators, and the few remaining Owenite societies which still eked out a precarious or nominal existence adopted its methods. The Pioneers were eager for propaganda work, and they received invaluable assistance from Kingsley, Maurice, Hughes, Ludlow, and others of the small band of "Christian Socialists," whose *Journal of Association* began to appear in 1852. These outside friends, by their parliamentary influence, secured the passing of the Industrial and Provident Societies Act of 1852, which gave complete freedom of action to the stores, who previously had to enroll themselves under the Friendly Societies Act of 1846, one clause of which permitted the "frugal investment" of members' money to obtain necessaries of life. They were now allowed to deal with non-members, and obtained legal protection for their funds. The revival of trade and the ferment in the trade union and chartist worlds reacted favourably on the new movement, and by 1852 there were 140 societies. The cotton famine in Lancashire, which prevailed during the American Civil War, severely tried the stores, but their strength stood the strain, and they commended themselves to the working classes as a powerful aid in times of trouble. The set-back was only temporary, for the Rochdale Stores increased their capital from £42,000 in 1861 to £78,000 in 1865, while the total sales in the United Kingdom increased by a million sterling between 1862 and 1865, amounting in the latter year to £3,373,847. It is not necessary to pursue the details of the growth of the stores; it is enough to say that in 1899 there were 1473 retail

stores, whose sales for the year amounted to £45,047,446. The number of members was 1,613,460, the share capital £18,934,022, and the net profits £7,025,748. Many of these societies are of considerable size, there being thirty retail stores whose sales in that year exceed £200,000, and forty-seven whose sales are between £100,000 and £200,000.

Co-operators early found that individual stores were at a disadvantage because they were not able to buy in sufficient quantities or at the proper times to secure the best terms in the market, and that their managers and committees could not be capable experts in purchasing all the various goods which were required. This difficulty was met by an extension of the associative principle. Just as consumers formed a store by combining to buy the goods they wanted, so stores combined for wholesale purchasing. Even in 1832 such an agency was established at Liverpool; the Christian Socialists started another in 1850 which lasted till 1856; the Rochdale Pioneers opened a wholesale department in 1855, but it perished through the jealousies of the stores which dealt with it. Success was realised by Mr. Abraham Greenwood of the Rochdale Society when he persuaded a conference of delegates in 1862 to institute a wholesale agency, which began work in 1864 at Manchester under the name of the North of England Co-operative Wholesale Industrial and Provident Society, Limited. A Metropolitan and Home Counties Association undertook similar work at London, but it only lived from 1863 to 1869, and was succeeded in 1872 by a similar body, which gave up its wholesale work to the North of England Society in 1874, the latter then assuming the name of the Co-operative Wholesale Society, England. Its constitution is parallel to that of an ordinary store. Only societies can be members and customers, and each society must take up one five-pound share for every ten members, shares being transferable at par. The society is governed by a general committee of sixteen at Manchester, and by two branch committees of eight each

at Newcastle and London, the latter each sending a member to the general committee. Quarterly meetings are held at Manchester, Newcastle, and London, each shareholding society being entitled to one delegate for each five hundred members or fractional part thereof. The shareholding societies also elect the committees, each having as many votes as it has delegates. The same agenda is put before each of the three meetings, societies sending their representatives to the most convenient centre, and questions are decided by the aggregate of the votes. It is interesting to note that when the Wholesale Society was started the rule was to invoice goods at cost price, and charge a small commission to cover working expenses, but after six months' trial this method had to be given up as unworkable, and the ordinary system was adopted of selling at a profit afterwards to be distributed among customers *pro ratâ*; non-members as usual get half dividend.

The Scottish Co-operative Wholesale Society was started in 1868, and is similarly managed by a committee and quarterly meetings. It differs from the English society in that shareholding societies have one vote each by right of membership—one for the first £1000 worth of goods bought, and one additional vote for every complete £2000 of purchases thereafter. The committee of ten is selected by ten societies chosen by the delegates' meetings. It is also to be mentioned that employees receive a share in the profit, getting twice the rate of dividend which purchasers take; they may hold up to fifty one-pound shares, and are entitled to send one representative to the business meetings and one additional for every one hundred and fifty employees who become shareholders.

The two Wholesale Societies are not rival but complementary bodies, acting as each other's agents. One thousand and seventy-nine societies, with 1,120,000 members, held shares in the English society at the end of 1899; and 290 societies, with 212,000 members, are shareholders in the Scottish society. A glance at their work is a lesson in the

organisation of industry. The English society began by dealing in sugar, fruits, spices, rice, sago, soap, candles, treacle, tea, and coffee, for, as the committee modestly reported, "the society could not deal in every article." Their ideas of possibilities have widened since then. Taking only the agency business, they have established purchasing centres where most convenient for the producers, and have mapped the country out into districts, setting up depots for sale so that customers might not be deterred by unnecessary expenses of carriage. The seat of government is at Manchester, but there is a devolution of labour on the branches at Newcastle-upon-Tyne (opened 1871) and London (1874). At each of these towns there are departments for grocery and provisions, drapery, woollens, and ready-made clothing, boots and shoes, and furnishing. There are sale-depots at Leeds, Blackburn, Nottingham, Huddersfield, and Birmingham. On the purchasing side there are depots at Liverpool, Goole, Bristol, Garston, Cardiff, and Northampton; at Longton in Staffordshire for pottery-ware; there are four buyers of dairy produce in Ireland, three in Denmark, and one each at Gothenburg and Hamburg; there are also agents at New York, Montreal, Calais, Rouen, Sydney, and Denia (Spain). The headquarters of the Scottish society are at Glasgow, and there are branches at Leith, Kilmarnock, and Dundee. There is a buyer in Ireland, and tea is obtained from the English society, at whose London branch the trade is naturally centralised. In this bare enumeration we can see a rough sketch of the organisation when co-operation shall have extended itself over the whole country. A central government presiding over a series of federal executives, whose spheres of action are determined by topographical considerations, would seem to be the prospect which the future holds out to us as far as the wholesale arrangements of distributive trade are concerned. For the retail trade each locality would have its store deriving its supplies from the most convenient centre.

This may appear a pretty comprehensive dream, but it is by no means complete. So far we have confined ourselves to co-operation as an agency for "distribution"; we have still to deal with its work in "production." These terms have been employed so long that it is impossible to avoid using them in the sense ordinarily applied to them. Yet, as there is in certain quarters a different degree of worthiness attached to them, it must be pointed out that scientifically there is no distinction between them. The act of production consists in adding a fresh utility to the raw material, and exactly that very function is performed by the distributing shopkeeper who brings the goods within the reach of the consumer in the manner and quantity desired. Any attempt at accurate delimitation of territory at once leads to absurdities. The tea-grower, the tea-blender, and the salesman who makes up appropriate packets of "our renowned" are all alike producers. With this proviso, we can go on to say that a large amount of "production," in its narrower sense of manufacturing, is undertaken by co-operative societies. It may be said to have begun with corn-milling; in fact, corn-mills go back to the earliest co-operative periods, originating in the desire of individuals to escape the extortions of private millers. As the societies accumulated capital they naturally sought profitable investment for it, and the most obvious use to which it could be put was to manufacture the goods which they themselves sold. In 1899, 616 stores had productive departments, and the estimated value of their productions amounted to £3,906,385. Of this over £2,000,000 came from bread and confectionery, and over £800,000 from clothing. Eight corn-mills also did a trade of £1,184,885. The Leeds Society, for example, undertakes cabinet-making, tinning, and the manufacture of boots and shoes, clothes, and brushes, runs a flour-mill, a bakery, and a slaughter-house, and has a joinery and building department. Local production must always be limited by the size of the local market, and for any attempt to carry out the ideals of the co-operators on

a larger scale we must look to the two Wholesale Societies. The same need of an outlet for surplus capital, the same impulse to extend co-operation beyond mere shopkeeping, affected the federal institutions as it did the stores, and a beginning was made in production with the purchase of the Crumpsall biscuit-works in 1873. Boots and shoes, soap, candles, woollens, clothing, furniture, brushes, upholstery, bedding, flour, butter, lard, jam, and printing, represent the bulk of the productions of the English society, the total value produced in 1899 being £2,272,031. The Scottish society has flour-mills, tweed and blanket mills, a tailoring factory, a shirt factory, factories for mantles, furniture, boots and shoes, hosiery, brushes, preserves, confectionery, and tobacco, and a printing department; total production, £1,286,153. The total sales of the English society in 1899 were £14,212,375, and of the Scottish society £5,014,189. For the purposes of its import trade the English society owns seven steamers. Finally, 10,070 workpeople are employed by the English society, 6206 in productive and 3864 in distributive departments; the Scottish society finds work for 5203 persons, of whom 1073 are engaged in distribution.

Co-operation on the Rochdale plan is essentially an organisation of consumers; the stores, factories, and workshops are managed by consumers primarily in the interests of consumers. In most societies, officials and workpeople are encouraged to become members, but both they and their relatives are disqualified for election as committee-men, and they are either prohibited by rule from voting or are expected by long custom to refrain from exercising their right. Their constitution as associations of consumers has an important bearing on the economic nature of the surplus resulting from their trading, which corresponds to what the private tradesman calls his profit. This surplus is generally called profit, but, as Miss Potter (Mrs. S. Webb) points out in her *Co-operative Movement*, only by a complete misuse of the term. Profit is the result of a double act,

the buying goods from one person at a certain price and the selling them to another person at a higher. Such a transaction finds no counterpart in the business of a co-operative store. If A. employs his servant to buy goods from a wholesale dealer, thereby saving the retail shopkeeper's profit, he has saved money which he must otherwise have spent, but he has made no profit. And if A., B., and C. employ a servant in common for this purpose, the result is the same. Nor is the effect altered if they establish several employees in a shop, and agree for convenience sake to pay at first the market price of the goods, and allow the surplus to accumulate for periodical distribution after meeting all expenses. They really bought at cost price when they paid for the goods and automatically saved the surplus; the payment of "dividend" is merely a transfer from one ledger account to another, paying money, as it were, from one's trousers' to one's vest pocket. The elimination of middlemen by dealing with the Wholesale Societies is a further approximation to original cost price; and when the stores themselves or by the Wholesale Societies manufacture the goods which they sell, we get quite down to cost price. Nowhere is there any trace of profit. To revert to our original illustration: if A. employs a workman to make an article, paying him wages and supplying him with raw material, he makes a saving, if the cost is under the shop price, but no profit. Whether he credits himself with this profit at once or at the end of a quarter or half-year makes no difference. We have achieved Robert Owen's ideal of the elimination of profit by dealing at cost price. The co-operative world is thus, so far as it goes, a socialist state, distributing its "profits" among its members in proportion to their purchases, that is, effectively in proportion to their needs. The 1473 stores, with their trade of £45,047,446, communalise £7,025,748 of "profit" which would otherwise have gone to swell the retailer's gains and expenses; in respect of £19,226,564 of trade through the Wholesales,

£551,239 of the middleman's gains and expenses are socialised; and with regard to the productive departments of the stores and Wholesale Societies, and to the corn-mills and baking societies, which are essentially consumers' associations, a total manufacture of £9,115,000 is carried on by the co-operative community for its own benefit. These figures, of course, are small in comparison with the figures relating to the population, capital, and expenditure of the whole United Kingdom, but they represent an enormous growth—the trade of the stores having multiplied eight times, and that of the Wholesales twenty-fold in the last thirty years. When we further remember that the co-operative movement does not exist in vast districts, and that its work is confined to supplying articles of domestic consumption, it is plain that those co-operative localities where one family in three, or even a greater proportion, belongs to the "co-op." approach pretty closely to the collectivist ideal, so far as the immediate wants of con sumers are concerned.

With the elimination of profit goes that main cause of the evils of competition, the desire for private gain. Instead of trusting to a capitalist "undertaker" to ascertain by the rough method of trial and error what are the needs of the community, the co-operative state performs that function itself, and thereby avoids the persistent failure of competition to equalise supply and demand. On the one side, we see private manufacturers seeking to estimate, by means which, however elaborate, are still very imperfect, what quantity of their goods the market will take, and then striving by all the devices known in business each to secure the lion's share of the trade, with the inevitable consequences of cutting of prices, over-production, and all the resultant evils of industrial confusion and depression. On the other side, we can observe the committees of the co-operative societies, the directly elected representatives of the customers, meeting periodically to determine from the known sales

of the past quarter what will be the probable requirements of their various departments in the next period, and sending out corresponding orders to their suppliers. So far as their needs are met by their own productive departments or by the factories and workshops of the Wholesale Societies, they determine accurately what shall be the amount of manufacturing undertaken therein. The £9,115,000 represents a complete equalisation of supply and demand, and another ideal of the collectivist state is proportionately realised. Again it is true that this is a small fraction of the national production; but a society like the Birmingham Society, which takes 86¾ per cent of its supplies from co-operative sources, is, in a competitive state, no bad representative of a socialist community.

When we have substituted production for use instead of production for profit, and so have communalised trade for the benefit of the community as consumers, the question naturally arises as to the way in which the interests of the community as producers are preserved. Broadly speaking, we may say that co-operators aim at the complete revolution of industry in the interest of the consumers, trade unionists accept the existing organisation of industry and seek to obtain the best possible terms for producers. Co-operators extend the benefits of co-operation to their employees when the latter are themselves store members, and, on the whole, leave their interests as workers to the care of the unions. Altogether there are nearly sixty thousand co-operative employees. Where a trade union exists, the trade union rate of wages is paid and trade union conditions of labour are observed. Where there is no trade union, the co-operative societies are with very few exceptions in the first flight of "good" employers. Shop assistants have no effective trade union, and there is no regularity either in their wages or in their hours of service. The hours of young persons are limited by law to seventy-four per week, and the average shop-week is probably not

less than eighty hours. In London, in first-class drapers' shops, the hours worked by women are, exclusive of meals, from fifty-six to sixty-seven per week. The practice of most co-operative stores compares very favourably with these figures. The Women's Co-operative Guild, in their "Report on the Treatment of Women Employees in the Co-operative Movement in 1895," found that the average hours worked by five hundred and thirty girls in one hundred and four societies were fifty-three and three-quarters per week, only 3 per cent working sixty hours or upwards. The wages of women were shown by the same Report to average fourteen shillings and fivepence per week, which is certainly above the sum earned in private shops. The stores have been the pioneers in the half-holiday movement, and they usually give their employees a week's holiday a year on full pay. In the treatment of workpeople in the "sweated" trades a splendid example has been set. Employees in the clothing and bootmaking factories work under the most hygienic conditions and receive full trade union rates of pay; the English Wholesale Society for a long time ran their furniture factory at a loss rather than attempt to compete with the low wages paid in domestic workshops; and the Scottish Wholesale Society in their shirt-making factory at Shieldhall have shown that it is possible to produce a better article under good conditions at a higher rate of wage and at as low a price as a sweating sub-contractor. In placing orders only with good firms, a great deal has been done to keep up the workers' standard of comfort, and the English Wholesale Society has anticipated State action in refusing to purchase any pottery made with deleterious glaze. On the whole, then, we can conclude that the direct action of the co-operative societies has been to strengthen the trade unions in their efforts to obtain a larger share of the product of labour and better conditions of work for the labouring classes, and they have done this by making the proper maintenance of the worker a first

charge on industry. When so much has been secured as an advance on account of services rendered, if a co-operative employee is also a member of a store he obtains in his dividend the financial advantages of self-employment. In so far he will have communalised his industry and his product; and if we can imagine all the industry of the country run by co-operative societies, and all the workers members, we will see that the community would be a socialist state equally from the producers' and from the consumers' point of view, the product of labour being shared partly according to the needs of the recipient, partly according to his services rendered.

Such a view of co-operation has, however, not found favour with a large body of co-operators, who take exception both to the mode of management and to the method in which profit is divided. Looking at production mainly from the producers' standpoint, they claim for the actual workers a share in the management and a portion of the profit in addition to wages. This view is consciously or unconsciously based on the Ricardian theory that labour is the sole source and measure of value, and that therefore society should be organised in the interests of producers, when, as "non-productive" labour would be excluded, equity would result. It is now admitted that Ricardo was wrong, and that the more correct economic statement is that value depends on utility to the consumer, and is determined by the varying estimates which different consumers requiring the same commodity put on the advantage which they will derive from it. From this it would appear a fair deduction that industry should be managed primarily in the interests of consumers, and this conclusion is the economic basis both of modern collectivism and of co-operation on the "Rochdale plan." The other form of co-operation, nevertheless, has persisted since the days of Robert Owen, and its claims as a method for the elimination of competition require examination.

The socialist claim that the workman had a right to the whole produce of his labour led, as we have seen, to the establishment of the Owenite communities, where each member was to be a worker and to have an equal share in the ownership of the means of production. These all failed, and their place was taken by the Redemptionist Societies, whose objects were—"To unite labourers of every grade for the purpose of carrying out and extending the practice of associative labour—(1) By promoting working associations of men and women, who shall enjoy among themselves the whole produce of their labour, after the repayment of borrowed capital (if any) with a fair rate of interest thereon. (2) By organising, both among such associations and any others of combined workmen and capitalists who may be admitted into the union, the interchange and distribution of commodities. (3) By reducing the hours of labour of all trades, or amongst the workers of any branch of industry, being members of the society. (4) To purchase and cultivate land upon the co-operative principle, and to provide for education of children, maintenance of widows and orphans, etc." They proposed to redeem labour by subscriptions of a penny a week, and the Address of the Bury Society[1] is a melancholy example of their grandiose aims. "The following calculation will show the power we have by a weekly subscription of one penny per week. In Great Britain there are 6,000,000 adult males; take of these, and of such females as choose to subscribe, 4,000,000, these will yield at one penny per week £20,000 weekly, or £1,040,000 a year; this, with compound interest, would amount in sixty years to £3,471,129,995 : 18 : 4. Now this sum would buy up all the property in the kingdom. Fellow-workers, here lies our power; let us begin at once to use it, and millions yet unborn will bless us for our exertions." Only a few hundreds, however, responded to form some dozen or so societies, which had a brief life about 1850. Of these

[1] See *Co-operative Production*, by Benjamin Jones, vol. i. ch. ix.

the most important was the Leeds Society, which lived from 1846 to 1855, and for a short time had a temporarily successful farm-colony in Wales. Yet the enthusiasm was not all wasted, for the Redemptionists, like the Owenites, carried their energy into the general co-operative movement.

Next in order came the Christian Socialists, that small band who conferred an undying benefit upon the labour movement by their efforts to arouse the public conscience to a sense of the misery in which large masses of the working classes were plunged. They imported from France the idea of the self-governing workshop, and founded the Society for Promoting Working Men's Associations, which lasted about four years and issued its only report in 1852. The workmen were to own their capital in equal shares, either providing it themselves or borrowing and repaying it. After paying a fair day's wage for a fair day's work, the net surplus or profit was to be "equally divided between all the associates, in proportion to the time they have severally worked." A central agency of representatives from the various associations was established to provide for the interchange of products. Twelve associations were started by the Society, but after a brief experience they either broke up, owing to internal dissensions, or fell into the hands of managers who converted them into ordinary businesses. The Report of 1852 is a sad confession of failure. "Working men," it says, "in general are not fit for association. They come into it with the idea that it is to fill their pockets and lighten their work at once, and that every man in an association is to be his own master. They find their mistake in the first month or two, and then set a-quarrelling with everybody connected with the association, but more especially with their manager, and after much bad blood has been roused, the association breaks up as insolvent, or has to be reformed under stringent rules and after the expulsion of the refractory members. . . . Where the associations are successful, the great danger

which they and all who are interested in them have to guard against is exclusiveness. The associates find their own position greatly improved, and fear to endanger it by taking in new members. They are apt, therefore, to make too stringent rules as to admission, and to require payments from new members proportionate to the capital which the Society has gained, and such as few of the most skilful of working men can pay out of their present wages."

The dangers of success were fully exemplified in the case of the "Oldham co-ops.," started in the late fifties and early sixties. These were joint-stock companies, in many instances started by working-men, and up till a recent period a large portion of the capital was held by working-men. Their original aim was to permit to the operatives the luxury of self-employment; but where an attempt was made to realise this ideal, as at Padiham and Pendleton, it led to failure, owing to the difficulty of maintaining discipline. There is now no pretence at either profit-sharing or self-employment, and the workmen prefer to work at other mills than those where they invest their capital, thereby keeping quite separate their interests as capitalists and workers.

These early failures did not daunt the advocates of "productive" co-operation. They still continued to urge the founding of workmen's associations, and to denounce those who in production or distribution did not give a share of the profit to the worker. "Where the interest of the purchaser is not recognised in distribution," says Mr. Holyoake,[1] "where the claim of the workman is not recognised in production, there is no co-operation; and the assumption of the name is an imposture and misleading." The English Wholesale Society and the great majority of the stores come under this sweeping denunciation. Capital was to be hired and paid its interest and no more, and the surplus profit, after meeting all expenses, was to be divided

[1] *History of Co-operation in England*, vol. ii. p. 81. Trübner and Co., 1879.

among the workers in proportion to their wages. Whether the purchaser should have a share in the profits was a hotly debated question till well in the seventies, and Mr. Holyoake decides in his favour purely as a matter of expediency, because it will attract trade and "will pay as it has done in the store," besides attracting the consumer from the cheap and sweating producer. We find ourselves already in the way of transition from the old ideal of the self-governing workshop, and the abilities of the working classes to administer industry were severely tested as the years went on. According to the figures given by Mr. Benjamin Jones in his exhaustive volumes on *Co-operative Production*, 275 societies founded before 1880 had ceased to exist by 1882, leaving only eight corn-mills and some twenty-five other societies at work. In the list of failures we find textile manufacturers, tailors, hatters, corn-millers, builders, boiler-makers, shipbuilders, iron-workers, coal-miners, boot- and shoe-makers, farriers, printers, cabinet-makers, and sundry other trades, showing that the experiments covered a fairly large section of the industrial world. Many of the associations were strongly backed by the Wholesale Societies, the co-operative stores, and the trade unions. For example, the English Wholesale Society lost £39,000 in three collieries, and the South Yorkshire and North Derbyshire miners lost £30,600 by the Shirland Colliery. The Ouseburn Co-operative Engineering Works were started in 1871 with a capital of £30,000, and opened their career by losing £25,000 through underbidding for contracts. The smash came in 1875, and a dividend of 1s. 3¼d. in the pound was paid to the creditors. Co-operative societies had invested £32,050 in the works, and £10,340 in the Industrial Bank which financed the concern, and so the Wholesale and six other societies bought the business for £26,000, but sold out in 1881 for £23,000, paying all creditors in full and shareholders five shillings in the pound. After these disastrous experiences, trade unions and the Wholesale Societies

naturally fought shy of "productive co-operation" on any large scale.

A fresh era of activity for "productive co-operation" began with the founding of the Labour Association in 1884. The new principle of Labour Copartnership is thus defined: "We advocate the copartnership, that is, the equal partnership, of Labour with Capital, the system under which, in the first place, a substantial and known share of the profit of a business belongs to the workers in it, not by right of any shares they may hold, or any other title, but simply by right of the labour they have contributed to make the profit; and in the second place, every worker is at liberty to invest his profit, or any other savings, in shares of the society or company, and so become a member entitled to vote on the affairs of the body which employs him." "The idea of a self-governing workshop," says Mr. H. D. Lloyd,[1] one of the chief copartnership advocates, "an independent, individualised group, self-owned, self-directed, and self-absorbed, has been as definitely abandoned as the earlier idea of a colony. The reaction of the pioneers against the demand of capital for all the profits had taken at first the shape of a counter-demand that labour should have all the profits; but now the movement has swung to an equilibrium between these two extremes, and stands on the proposition that labour, capital, and the public (the consumer) are all parties in interest, and are all given the right to share." Under the brilliant leadership of Mr. Henry Vivian, the late Mr. Blandford, and other able leaders, the new movement has given evidence of an enthusiasm and a persistency worthy of the Christian Socialists. Their efforts were not confined to the establishment of productive associations; vehement efforts were also made to induce the stores, and in particular the Wholesale Societies, to introduce the principle of profit-sharing, and to admit their workers to a share in the management. In the latter portion of their activity success has been small.

[1] *Labor Copartnership*, p. 222. Harper Brothers, 1899.

The English Wholesale Society, after a brief experience of profit-sharing, gave it up. The Scottish Society pays to its employees the same rate of dividend on wages that it allots to purchases, and allows them votes in proportion to the shares held; at present they have three votes, which represents an infinitesimal share in the management. About one-sixth of the stores pay their workpeople either a bonus in addition to wages, or allot them a share of the profit, in some cases making it conditional on membership, and this practice is perhaps slowly growing; but they admit them to absolutely not the least share in management. A much greater degree of success has attended their productive efforts. Of one hundred and fifty-two societies registered from 1880 to the end of 1891, according to Mr. Jones, seventy-six were then working, thirty-seven were dead, and thirty-nine had either not begun to trade or were dying. On examining the lists published by the Co-operative Union, we ascertain that the one hundred and twenty-seven societies recorded for 1891 had grown to one hundred and forty-seven for 1898; but in the intervening period one hundred and two societies disappeared—a fairly large mortality. Some important deductions must be made from this figure of one hundred and forty-seven. In the first place, eight corn-mills and nineteen baking societies must be deducted, as they are consumers' organisations, assigning little profit and much less management to the employees. Five more must go as having become practically joint-stock companies; three others are under irremovable managers or committees; and twelve more had either not begun working or had sent in no returns. This leaves one hundred societies, whose share and loan capital in 1898 was £594,156, sales £890,398, and profits £44,246. The work of the Labour Association in establishing the Irish agricultural and dairying associations must also be recorded to their credit. Of these there are now over three hundred, but they are capitalist associations of farmers for co-operative purchasing or for the

manufacture of their own milk into butter and cheese, and do not concern us here, as they approximate on a small scale much more closely to the unions of the calico-printers, wool-combers, dyers, etc., than to associations of workingmen.

There are several fundamental differences between copartnership and co-operation which make the student thankful to the advocates of the former for having invented a new name to the avoidance of confusion. In the first place, all copartnership societies are competitive institutions: they must either fight for their own hand in the open market against each other, as well as against highly equipped captains of industry, or they must induce stores to give them custom, on the plea of supporting "co-operative" institutions; in their essential form they are associations of workmen trading mainly on borrowed capital, and differ only from an ordinary joint-stock company in being unlimited in membership; they are liable to all the accidents of trade to which private firms fall victims: they may fall not through a special fault of their own, but because their competitors have overstocked the market. So far as they trade like ordinary firms, they do not aid in the adjustment of supply to demand. Co-operative stores, on the other hand, function by withdrawing so much production from the domain of competition, and by basing their output on the previous accurate ascertainment of demand, and are therefore a more effective means of defeating the destructive workings of competition. Copartnery workshops, however, probably do most of their trade with co-operative stores, and derive the bulk of their capital from investments by these bodies. They therefore tend to become federal productive institutions under the control of the stores, a fate which has already befallen the corn-milling and baking societies, and will probably be the lot of the best of the other copartnerships. Others will probably either come under permanent management by fixed governors, or will continue as "associations

of workers governing themselves, but employing outside labour—practically "small masters." In this last class Mrs. Webb found twenty-one societies, nine of which have since died, crushed out by the competition they tempted. Needless to say, the hopes of copartnership advocates are far different. To quote Mr. Aneurin Williams:[1] "The whole extent of ordinary manufactures would seem to be outside what either the state or the municipality can do with advantage. We at least claim that they can best be carried on by voluntary co-operative associations, not indeed managed solely in the interests of their own employees, but in which those employees, with their expert knowledge and their direct interest in the result, shall be a powerful element. . . . But not only so; we look forward to their more and more complete federation, so that competition among them, in any bad sense of the word, may be avoided, and common action be taken for all common purposes." Such being the aims, we must look facts squarely in the face as regards these societies, especially in connection with their permanence and magnitude. The result of more than fifty years' ardent propaganda is that we have a hundred "productive societies," of which only three have survived from the period 1860-69, ten from 1870-79, and twenty-two from 1880-89, while sixty-five were established between 1890 and 1898. Taking share and loan capital, thirty-seven possess less than a thousand pounds, forty-four between one and five thousand pounds, and only nineteen more than five thousand. Twenty-one do a trade of less than a thousand pounds yearly, forty between one and five thousand pounds, twenty-seven between five and twenty thousand pounds, and twelve over twenty thousand pounds. It is not in this way that the great industry can be fought; it must be met on its own field and with its own weapons. The Wholesales alone among co-operative societies can do this; they alone have the money. The English Wholesale alone in its

[1] *Labor Copartnership*, H. D. Lloyd, p. 232.

Leicester works has a larger production than all the other twenty-five boot and shoe "productives" in England; while the failure of the Batley woollen mills and the Littleborough flannel factory as "productives," and their success after being acquired by the Wholesale, afford an interesting piece of evidence. The co-operative movement is in the full stream of industrial evolution; copartnership is fighting with obsolete weapons. And whereas federation of productive societies is as far off as it was in 1888, when the attempt to federate the boot societies failed "because there were too many would-be managers," the Wholesales are a federation already in existence.

Copartnership and profit-sharing schemes alike claim that by giving the worker an interest in the business greater care and assiduity will be secured. That is to say, that the workman is to give of his labour in addition to what is in his bond for his weekly wage, and he is to trust for his reward to the luck of the market or the skill of his manager. This is a flagrant breach of the trade union principle that labour must be a first charge on industry; and if there is no profit, or if he has to pay a levy to make good a loss, he undersells his fellow-workers as surely as if he ratted from the union, and other employers will claim to have the same advantages as the favoured establishment. The interest of the workman can be secured much more effectively by the various forms of piecework, bonus on output, or progressive wage, which are in operation on a large scale in ordinary firms. The present chance of sharing in profit is somewhat risky, as Mr. Schloss's elaborate investigation shows, for of sixty-five societies of which details were available throughout their career up to 1896, "while twenty-two societies failed to pay any bonus at all, twenty-seven paid a bonus at the rate of less than 5 per cent on wages, and sixteen paid a bonus at the rate of 5 per cent or upwards."[1] The share which the workpeople have in the management of

[1] *Industrial Remuneration*, D. F. Schloss, 3rd ed. p. 344.

the productives is not easily determinable for lack of information. In 1889 they held 13 per cent of the capital, according to Mrs. Webb's figures (excluding the farming societies), but that proportion has unquestionably been increased. Mr. Lloyd tells us in his *Labor Copartnership* that in Kettering the workpeople own 35 per cent of the capital of the boot-works, 22 per cent in the clothing factory, and 12 per cent in the building society. In the Hebden Bridge Fustian Works they held 29 per cent, and in the Paisley Manufacturing Society only 71 out of 328 employees held shares, and that only to a small extent. Everywhere the workmen-shareholders are in the hands of the non-workers when the latter choose to exert their power. At the same time it must be stated that the defects of the early societies in maintaining discipline are largely absent from the later ones, owing doubtless to the spread of education and the result of fifty years' training in the democracy of the stores and trade unions.

An attempt is made to bring all the scattered units of the co-operative and copartnership societies into harmony with each other by the Co-operative Union, which was started in 1869. The annual congresses of this body serve as an admirable advertisement of the two movements to the general public, but they have no power of direction over the bodies sending delegates. The real work of the Union is done by the committees of the various sections into which the country is divided, and by the United Board of Representatives from the sectional boards. In propaganda, in parliamentary work, in organisation of societies, and in the promotion of education, a vast amount of useful labour is expended, which unobtrusively leads to the smooth working of associations through the careful elaboration of technical details.

Brief reference must be made to some special activities of co-operative societies. Education has from the beginning occupied a prominent position in the minds of co-operators,

though for some time their efforts were frustrated by ignorant legislators. In 1899, six hundred and sixty-eight societies made grants amounting to £57,595, which was spent on libraries, classes on co-operative principles and methods, university extension lectures, and similar objects, all making good the deficiencies of State effort in the higher education of working people. The Co-operative Union renders admirable aid in this direction, and equally praiseworthy are the exertions of the Women's Co-operative Guild, which was established in 1883 to spread the knowledge of co-operation among women, and now includes nearly 13,000 members. The weekly organ of the co-operative movement, the *Co-operative News*, has a weekly sale of over 50,000; and the monthly and other publications, including the district records issued by thirty-nine societies, have a circulation of 384,000 copies.

A favourite outlet for surplus capital has always been the release of members from the power of the house landlord. Usually this has taken the shape either of the advance of loans for the purchase of houses or the erection of cottages to be sold afterwards to the occupants. From the broader point of view neither of these methods is to be commended, since each leads to the increase of the small landlord class, that plague of all large towns. More recently societies are building cottages and holding the freehold for the common benefit of all the members, thereby socialising for the common good the increase in value due to the progress of the community. On this principle, for example, the Royal Arsenal Society of Woolwich is proposing to build on its own land a small town of 3000 cottages. Two hundred and twenty-four societies have spent £917,397 on houses built and owned by the societies, £827,823 on houses built by the societies and sold to members, and £3,402,306 in advances to members to build houses.

Besides tackling the problem of housing—perhaps at present the most burning question of co-operative politics—

co-operators have made a beginning in dealing with agriculture. Seven small farming and dairy societies had in 1898 a capital of £7500, a trade of £15,330, and a profit of £530 —and alone remain to represent the high hopes of reforming the agricultural labourers through the principle of associated labour. On the other hand, in 1899, seventy-five societies, including the Wholesales, farmed 6203 acres with a capital of £101,861, and a profit of £1752. In many cases the "farm" is purely an auxiliary to one of the other departments; but Professor Long's verdict is that "we cannot but conclude that, regarded in the light of the exceptional advantages which the societies possess for disposing of their produce, farming by Co-operative Societies has proved a failure, and to such a degree that its extension cannot be conscientiously recommended."[1] The main cause is the failure to obtain as manager a capable farmer, who is at the same time imbued with co-operative ideals, and this no doubt is connected with the small size of many of the farms, which prohibits a wage sufficient to attract or create such a person. On the other hand, dairying is more successful, as at Derby, because it approximates to manufacture. In particular, the English Wholesale Society has thirty-five creameries, with twenty-eight auxiliaries at work in Ireland, with a weekly output of butter to the value of £5000. The same body bought in 1896 the Roden Hall estate of 741 acres in Shropshire, and cultivates the part not let, about 61 acres, as a fruit and vegetable farm, the supplies going to the jam and other departments. So far the results are satisfactory, and, though the period of experiment is still too brief to warrant prophecy, there is every reason to expect that the organisation of agriculture can and must be undertaken by consumers, primarily in their own interests, with fair and reasonable treatment of the workers.

[1] *The Co-operative Wholesale Societies', Limited, Annual*, 1899, p. 441.

CHAPTER XII

COLLECTIVISATION

"COMPETITION generally ends in combination; and that can now be carried out in the form of a 'ring' or 'trust,' on a scale and with a degree of perfection of which previous generations had no conception." Such is the remarkable conclusion to which the *Times* came in a leader[1] on the shipping rings, having banished the old ideas of political economy to Saturn. How then are we to fight the trusts? The "not very hopeful course" which the same writer suggests is "to meet as far as possible combination by combination, to multiply the agencies against which the 'ring' must fight, until they are too many and strong to be mastered." The German newspaper proprietors are starting paper-mills of their own in consequence of the heavy prices charged by the syndicate of paper-makers—an experiment which will be watched with much curiosity. Supposing this plan to be carried to a successful issue on a large scale, the country would be covered by a network of combinations, each strong enough to prevent mutual plundering. The united groups of manufacturers would be able to hinder extortion on the part of the extractional industries of coal and iron, and to compel the organisers of transport to charge only reasonable rates; but there would still be no power to regulate retail prices. The consumer would still be perfectly helpless. He is told to look to independent competition as

[1] 12th June 1899.

the means of keeping prices at a proper level; but the "combine," by charging low rates and looking to a large turnover for its profit, could create a state of things in which the people would be politically serfs and yet fresh capital would not be tempted to come in. Even if prices were maintained at a high level, the prospects of a new competitor would not be brilliant, for he would have to face the hostility of a company already in possession of the field, fully equipped and well organised. The mere threat of a war of rates by the Coats Company brought the English Sewing Cotton Company to terms, although the latter had a capital of two and three-quarter millions; and not every new undertaking could command such an amount of money for a risky speculation. To fight the shipping rings would mean the creation of a new mercantile marine. The power of the purse can be used to buy out as well as to starve out a rival, and few men of business are so philanthropic as to prefer the bankruptcy court to being merged with a formidable opponent. The National Telephone Company bought up all the competing companies, and the shipping rings have either driven away the small lines which presumed to contest their monopoly or have compelled them to sell out.

As little can any reliance be placed on foreign competition. Capital is international, and combinations started in one country soon stretch out friendly hands to similar organisations in other lands. The alliance between the Coats Company, the English Sewing Cotton Company, and the American Thread Company is a good illustration of what we may expect to be the next stage in industrial development, the exclusion of competition from the outside after it has been eliminated from the inside. Several other British combinations possess factories abroad, and in this way a tendency towards the establishment of equivalent prices everywhere is stimulated. H.M. Consul at Düsseldorf, in reporting on the results of the Rhenish-Westphalian Coal

Syndicate,[1] adds: "The German coal-owners are long-sighted enough to see that it is desirable in the mutual interests of both that an English coal syndicate should be established on the same lines as have proved so successful in this district, for the simple reason that a reckless competition between them, *i.e.* between England and Germany, has an injurious effect on both. Of course, in England, Wales, and Scotland co-operative action is rendered difficult by the number of coal districts to be united, but it has got to be done in one form or another." Foreign competition in some cases may even overmaster the home producers and compel them to dance to a tune played abroad. This has been the fate of the Scottish paraffin-oil industry, where millions of money have been lost, although the founders made their fortunes. The Standard Oil Company with cheap "low-flash" oil drove the higher-priced paraffin out of the market, and forced the Scottish makers to seek a scanty profit by turning a vast amount of ability and science to the utilisation of waste products like paraffin wax and lubricating oils, whose prices are fixed at the will of the great monopoly.

Not much can be expected from the trade unions in the way of fighting monopoly; it will probably require all their energies and resourcefulness to maintain their standard of life against power used brutally as at Homestead, or against more subtle assaults in the introduction of machinery. It was an easy matter for the cotton-spinners to defeat the "cotton corner" by offering to work short time so that the employers might postpone their ordinary purchases and prevent prices from rising, but they would find a different foe in a corporation including all the master spinners —a combination which has been debated lately. Where the workpeople federated themselves with the employers, as in the Birmingham "alliances," on the basis of being allowed to share in the plunder of the consumer, or on the basis of a limitation of output, as the Welsh coal-miners

[1] *Board of Trade Journal*, June 1898, p. 675.

urged, we would have the most dangerous form of combination. It is the business of trade unions to look after the interests of the workpeople, about which other people usually concern themselves only in a spasmodic manner, and it is folly to ask them to undertake additional labours. If the consumer wants to be protected he must do his own protecting. To some extent he does that already through his co-operative societies, and where they exist their members are secure from the yoke of retail monopolies. The ordinary reason for starting a store is the desire to be free from the exactions of the shopkeepers, and a similar reason has caused the stores to undertake the production of certain commodities of universal domestic demand. Refusal to join in the "flour corner" cost the English Wholesale Society over £20,000, but it killed the "corner." Flour-milling, however, is the only industry which has been undertaken co-operatively on a large scale, though successful beginnings have been made in many others. Even if we suppose all the retail business of the country to be carried on by co-operative stores, we cannot expect that they would undertake manufactures except of goods in domestic use, since for these alone would they have an ascertainable market. The clothing, food, and furnishing trades might be socialised in this way, and the building trade so far as the stores built houses by their own workmen for their members; the textile trades for home production might also conceivably be included. But all the production for export, the iron, steel, and engineering industries, the transport industries, agriculture, and mining would remain outside the scope of co-operation. Perhaps an exception might be made in favour of agriculture and mining, for, although the results of previous experiments have not been brilliant, the English Wholesale Society has a roseate prospect of success on the Roden estate, and several northern societies, including the large Leeds Society, have for some time been considering the establishment of a co-operative colliery in Yorkshire.

There are some further limitations of co-operative effort. The great strength of the movement is in the highly organised trade union districts of factory workers, where wages are reasonable and employment is fairly permanent. Among the very poor everywhere, the agricultural labourers, and the workers in large towns who shift about from place to place following their work, co-operation progresses very slowly, despite the vast amount of energy which is expended on propaganda, and these districts must approximate more closely to the factory districts in character before any signal success is achieved. Another limitation consists in the nature of co-operators themselves. Very many members do not look upon the movement as part of a great social reconstruction, and limit their interest to "divy-hunting" as an automatic system of thrift. The consequence is that committees are forced to attend more to the half-yearly balance-sheet than to the aims of the movement, and large purchases are made from private firms which sell a few pence cheaper than co-operative concerns. The manufacturing activity of the Wholesale Societies is therefore strictly circumscribed by the competition of the private undertaker, and the public utterances of their representatives are a constant appeal to "buy, buy, buy!" The very shrewd and cautious men who are at the head of the co-operative state do not believe in the speculative construction of factories or in the locking-up of very large sums of money in stone and iron unless an assurance is given of a large and steady market for the produce. The Broughton cabinet-making factory was for a long time run at a loss owing to insufficient support from the societies, and there is not much desire to repeat the experience. It would seem as if the newer generation of co-operators had lost some or the eager enthusiasm of their forefathers; but the interest which the housing question has aroused during the last year shows that only a more persistent educative effort is required to awaken the old fervour.

When full value has been allotted to what may be expected from voluntary attempts to withdraw production from private control, there still remains a wide field for the activity of that broader federation of individuals which we call the State. Nor have the opponents of trusts been slow to appeal to the legislative chambers for assistance. Unfortunately they have not sought to control the economic evolution, but to destroy it in the interests of competing individual traders, seeking to restore the waste of energy which combination prevents. Very many of the States of the American Union have passed laws directed at the formation of organisations of the original "trust" kind, which were characterised by the deposit or stock in the hands of governing trustees; but though these measures have been successful in destroying the outward form, they have left the inward reality untouched. The Standard Oil Company was dissolved in this way in 1892, but the monopoly of petroleum went on unchecked. Neither the enforcement of the common law against agreements "in restraint of trade" nor the invention of new penalties can prevent a private understanding among manufacturers, or the fusion of a number of firms into one undertaking, or the crushing-out of small concerns by one large business. They can only hamper legitimate trading, like the Texas Anti-Trust Law, which, being specially directed against insurance companies with an arrangement for common tariffs, is driving that form of business out of the State. Owing to German competition and high prices affecting all industries using iron, a law was passed in Austria in 1899 prohibiting the formation of an iron "ring"; but it has never been enforced, and we have the unhealthy spectacle of fictitious laws which bring law-making into contempt. The great bulk of Russian coal is produced by some score or so of owners, and the action of syndicates during 1899-1900 has been so mischievous in restricting output and raising prices that, according to a Foreign

Office Report (No. 523, Commercial Series), "stern administrative measures" have had to be taken. "At Warsaw wholesale dealers have been summarily ordered, under heavy penalties, not to keep prices above 1r. 15c. the korsec of 6 poods, while, it is said, seventeen of the largest dealers have been placed under police supervision." To Russia, therefore, must go the credit of the only effective anti-trust action; but the same report, it is fair to add, concludes that these measures and the temporary remissions of import duties are only "temporary expedients not touching the heart of the matter."

Private monopoly is a public danger, and yet it cannot be undone by law; nor if it could would any economist recommend that the community should abandon the most efficient method of production for a worse. The problem is, how to secure the benefits of combination without its disadvantages, and to this there is only one solution, the public ownership of monopolies. An arguable case can be made out for public ownership as against competition, but the consumer—and, after all, consumers control politics—will not concern himself much about the evils of competition when employers are "good," if an efficient service is assured to him thereby. But monopoly is a very different matter. A people which has been trained by centuries of political freedom instinctively hates the domination of a few individuals; it may tolerate, grumblingly, the privileges of a single monopoly, like the railways, but monopolies in every branch of industry are at once recognised as dangerous. When a monopoly becomes collective property its character is entirely changed. Given a good system of administration and effective parliamentary control, and arbitrary conduct, which is the essence of tyranny, is impossible. Undue raising of prices or unjust treatment of employees would cause a political reaction against the government responsible, and would therefore be avoided. Every person with a grievance would, being a voter, be able to secure a

hearing of his case before the highest court of appeal in the land, and every real source of complaint would be remediable, even if slowly. Compare the Post Office with the railway companies before the institution of the Railway Commission. In the former case, notwithstanding the want of sufficient business ability and habits among the higher officials, postal rates have been lowered and the position of the lower employees bettered; while in the latter instance the complaints of traders were flouted and the grievances of railway servants neglected. It is not pretended that the Post Office is in all respects a model institution; that it cannot be so long as the Treasury persists in regarding it as above all a revenue-producing and tax-saving machine, instead of one of the great arteries of commerce. But that so much has been possible under the present *régime* is indicative of developments which may ensue when the business of the community is really conducted on business lines.

The great public advantages of monopoly are that by eliminating competition it prevents over-production and crises, and restores stability to industry and permanence to employment. While monopolies are in private hands, the desire to make illicit profits by speculative transactions on the stock and produce exchanges acts as a disturbing factor which would disappear under communal ownership. Even under existing conditions the transfer of one industry from private to public ownership has a regulative effect outside its own immediate sphere. By a law of 1885, the Swiss Federal Government has had, since 1887, a monopoly of spirituous liquors. The direct object of the law was to check the consumption of deleterious drinks, especially those distilled from potatoes, and a very large measure of success has been attained, while at the same time the results to the federal and cantonal treasuries have been highly satisfactory. The good effects have not stopped there. Previous to the creation of the State monopoly

there were fourteen hundred and fifty distilleries, which were all abolished and replaced by seventy establishments allowed only to use native produce, the alcohol manufactured by them being bought by the State officers at rates enabling remunerative prices to be paid to the farmers. "The abolition of existing distilleries, which for the most part were either too large to be supplied with raw material grown in the neighbourhood, whereby foreign importation was encouraged, or too small to serve as a market for native produce, and the substitution of distilleries proportionate to the capacity of the district where their establishment was thought advisable, has benefited agriculture by affording a ready market whose demands are commensurate with the possible supply; while the refuse material forms a valuable manure, and, owing to the proper distribution of distilleries, in sufficient quantities to meet the local requirements, whereas previously the supply was either in excess or inadequate, without any existing organisation to distribute it where needed." [1]

The applicability of State enterprise to any industry will depend on a number of circumstances, varying according to time and place. The chief of these is the degree of organisation to which the industry has attained. In conducting any branch of manufacture the State will certainly proceed on the co-operative principle of equating the supply to the ascertained demand, and the ease with which this can be done depends to a large extent upon the degree to which private ownership has already concentrated the management. Where the production of an article in general and steady use is in question, and one or two large companies have a monopoly of the trade, the transfer can be brought about with very little disturbance of the machinery. Some industries have already reached this stage of evolution; for example, Professor Ashley says,[2]

[1] *Board of Trade Journal*, June 1898, pp. 686-90.
[2] *Surveys Historic and Economic*, p. 387.

"We might even add that, in the case of the Standard Oil monopoly, the development has already reached a point at which, on the purely economic and administrative side, there could be little objection to the Government taking over the business — if only there were a Government politically capable of the task." If some of the new British combinations which have begun operations with 80 or 90 per cent of the production in which they are engaged under their control continue to extend their operations, or even to maintain their position, we shall be able to include them in the same category. In France tobacco and matches are already nationalised, but for fiscal purposes, and are consequently run on the vicious principle of extracting the largest amount of profit for the smallest possible return. On the whole, it is plain that at any given time the industries of a country may be arranged in a rough kind of order according to their organisation, and in that order it is most likely that the State will seek to communalise them. At the head will be the most highly organised industries, and last of all will come such disorganised trades as the "home industries," unless they are previously legislated out of existence, or those which from time to time are thrown into disorder by irregular caprices of fashion. Each successive step will be taken experimentally, and no move will be made which is at all likely to involve the community in pecuniary loss unless other counterbalancing advantages are gained. It is not conceivable, for example, that the silk or velvet industries, which are inflated or depressed according to the irresponsible decrees of the fashionable world as to what is or is not to be worn, should be nationalised before the already highly concentrated cotton or dyeing industries.

The organisation of an industry under State management would be very much what it is at present under, say, the Standard Oil Company, or, still more closely, under the Co-operative Wholesale Societies. Through the retail selling

departments in the various centres the trade of, say, the previous quarter would be ascertained, and, the rate of growth being known from the comparative statistics of successive periods, the probable demand for the ensuing quarter could be calculated. Arrangements for production would be based on this information, and could be from time to time corrected according as intermediate reports disclosed any abnormal increase or diminution of demand. This method is in everyday practice among hundreds of co-operative societies as well as in a countless number of manufacturing businesses standing in close relation to the retail trade. The government of an industry would also proceed on similar lines to those which individual ability has created. The most striking change would be the substitution of a State department for the board of directors, or rather, perhaps, the department would correspond to the managing directors, while the general board of men of wide business knowledge who function on many such boards and take part in the direction of many companies would be represented by Parliament. We would thus have in combination men of specialised expert knowledge, men with a general acquaintance with the business world, and men whose duty it was to safeguard the general interests of the community, all engaged in controlling the several national industries. Beneath the supreme management everything would go on much as at present: there would be the same severance of staffs according to their duties, the same hierarchy of secretaries, managers, sub-managers, foremen, and so on. Half the criticism which is directed at the collectivisation of industry would fall to the ground if it were clearly understood that it necessitates not so much changes in organisation as an alteration in the aims to which that organisation is to be directed. Writers of utopian fiction, with their dreams of industrial armies disciplined in military manner, of successive grades of workers electing each other by secret ballot and one man one vote, or of an absence of order being order's first law, have done

much to discredit the cause of collectivism. The sober practice of democratic working-men gives no scintilla of support to any such topsy-turviness. There is no democracy in the world so free and equal as a co-operative society; and that democracy having once elected its committee of management for the allotted period, leaves the whole administration in its hands. The committee conducts the business, and engages, promotes, or dismisses the workpeople. Representative government is the last word in industrial as in political democracy.

Sir Robert Peel in a memorable phrase once spoke of "the torpid hands of the State"; Professor Ashley demands that the Government which takes over the Standard Oil Company shall be "politically capable of the task." The two phrases are closely connected. The hands of the State were torpid so long as the State was served by an incompetent bureaucracy which jobbed and muddled and idled to an incredible extent. Forty years of good administration have to some degree eradicated the memories of the Circumlocution Office, but of late the public has been driven to conclude that much reform is still required. The first necessity is that an administrative staff should be trained for the functions which it has to perform; the second is that every man must bear a definite share of responsibility—there must always be "some one to hang." These two conditions are necessary for efficiency even in a department where all the work is clerical, and they are absolutely indispensable wherever anything in the nature of production is concerned. What is required is not so much technical acquaintance with the particular industry in question—that can be supplied by the manufacturing staff—but general knowledge of business affairs and a keen sympathy with the needs of the section of the community served by the department. Want of these qualities has made Government departments averse to innovation and slow to suit their methods to the changing requirements of the business world. As a matter of fact

the public service, as we know it to-day, has not been organised to meet demands which have only been made upon it within the last couple of decades or so. Its traditions are derived from an obsolete political philosophy, and retain much of the individualism and feudal separation of classes which have elsewhere disappeared. Before nationalisation of industry can be carried out to any serious extent, the methods of administration must be revised, and the higher officials must be drawn less from the universities and more from the same classes which at present run the industries of the country. Whether this will be done depends on the political capacity of the Government and of Parliament, and also, it may be added, of the electorate. Politics must come to mean the supervision of the business of the country, and cease to be a party struggle regarded as an avenue to place or social position. The greatest obstacle to public control of industry is the want of political capacity on the part of our legislators. The House of Lords having before it a Companies' Bill, proceeds to strike everything out of it which might deter titled guinea-pigs from becoming directors, heedless of the fact that this is exactly the result which the public, instructed by the Hooley revelations, desired to attain. For a brief moment Parliament was shocked by Lord Salisbury's denunciation of Treasury control of public affairs, but no one remembered that exactly the same charges had been made and suggestions for reform put forward by Sir Robert Giffen in his evidence before the Royal Commission on Civil Establishments in 1888. Reform of the *personnel* of Parliament must precede any broad alteration of our industrial system.

So far we have spoken simply of "the State," but as a matter of fact "the State" in this country is for administrative purposes a series of authorities related to each other in a complex manner. From one point of view the interest of all citizens in all parts of the country may be regarded as identical; bad government in one locality is a danger to the

whole community, and no nation can tolerate an Alsatia within its boundaries. Such considerations led the late Sir Edwin Chadwick to that policy of centralisation which he advocated with so much pertinacity, and which has left so deep a mark on all the legislation brought forward under the ægis of his authority. Its advantages are many and conspicuous, but the necessity of providing for the varying needs of different localities, and the desirability of harnessing local knowledge and local patriotism to the administrative plough, have prevailed in extending the principle of the division of labour to government. We have consequently a series of local authorities rising one above the other, with wider spheres of activity, until we end in the supreme authority of Parliament, which is charged with the functions of providing for the common needs of the nation and of harmonising the activities of the local governing bodies. The latter of these objects is pursued in a variety of ways. In poor-law matters a strict conformity to rules laid down by the central government is enforced; in educational matters conformity to similar rules is induced by grants of money dependent upon the attainment of a certain standard of excellence. The enforcement of the factory laws depends upon local tribunals, but the supervision of the regulations and the conduct of prosecutions is in the hands of inspectors attached to the Home Office. Grants of money enable the central government to exert a good deal of pressure upon local authorities; municipalities may lose their police grant if the force is not in a proper state of efficiency, and London borough councils may be deprived of the "equalisation grant" for neglect of their public-health duties. Recalcitrant school boards or boards of guardians may be dissolved and their functions transferred to commissioners; one local authority may be empowered to act for another, as the London County Council on default by a metropolitan borough council; or factory inspectors may be directed to carry out the law in respect to workshops when munici-

palities neglect it. By the development of one or other of these methods the central government can exercise a still greater control over any extension of local activity. General laws, codes of regulations can be drawn up, on obedience to which might depend the grant of public money sufficient to bring up the standard of local comfort and efficiency to the general level. At present a large share of the produce of the death-duties is allocated to local authorities without any return being required, and this might very well be altered.

Industries may be divided into local or national according as they respond to local or general needs. In any scheme of collectivisation the former would necessarily come under the management of the local authorities, the latter under the central government. Until we examine the details of municipal administration we are apt to ignore the extent to which we have already proceeded in municipalisation. The doings of the central government get reported in all the newspapers, but municipal politics interest only a limited circle of people. A brief review will therefore be instructive, and all the more because the developments to be described have not been followed out in pursuance of any definite political philosophy, but because each step as it was taken was found to be advantageous to the citizens. The philosophy has come afterwards to correlate the different political phenomena.

When municipal corporations were reformed, there was no suspicion in the mind of Parliament or of the municipalities that the management and ownership of public services would come to form the chief part of their activity. The Act of 1835 was passed in order to create bodies which would be able to control the new police force. Lighting and water supply were left to be provided by private companies, and even sanitation was considered to be the concern of the individual householder. The cholera, however, proved a wonderful educator, and gradually drainage, paving, and street lighting came to be regarded as the

primary duties of municipalities. The provision of a sufficient supply of pure water was seen to be necessary to the public health. But gas and water companies had fixed themselves tightly on the towns, and it became repugnant to the moral sense of the community that such necessaries of life as light and water should be the monopoly of private individuals, especially when the supply was in many cases seriously deficient. Thus began the "gas and water socialism" of our local authorities. The municipalisation of electricity was a natural corollary to municipal gas. Public baths and cemeteries were found to be necessary to the care for the public health. To-day the capital expended in England and Wales on water-works amounts to nearly forty-eight millions and a-half, on gasworks over twenty millions, on baths a million and a-half, on cemeteries over a million, on electric lighting nearly three millions and a-half.[1] Works for the disposal of sewage also became a public necessity, and are responsible for the expenditure of a large amount of money. Some of these undertakings are of a gigantic character. Glasgow derives its water supply from Loch Katrine at a cost of three millions; Liverpool has spent two million one hundred thousand pounds in converting a Welsh valley into a lake and bringing water from it through a canal seventy-seven miles long; Manchester has secured an abundant supply from Thirlmere for an expenditure which will run up to four or five millions; and Birmingham is in course of expending nearly seven millions in introducing a supply from Wales.

Towns exist in order that, amongst other reasons, business may be carried on in them, and the citizens have naturally, therefore, set about to provide facilities for conducting business. The care of the streets is an elementary part of a corporation's duties, and as towns grew in size it was felt that the provision of cheap and comfortable means

[1] Municipal Corporations (Reproductive Undertakings)—Return to House of Commons, 88 of 1899.

of transit was equally within the scope of municipal activity. This service was also at first entrusted tc companies, but with an important difference. No municipality can run a municipal water or gas supply in competition with a company already in the field; and if it is proposed to buy out the company, a private Act of Parliament must be obtained, and heavy compensation paid. When the Tramways Act of 1870 was passed, power was given to municipalities obtaining a provisional order from the Board of Trade to construct tramways, and no private line could be built without the consent of the local governing body. But no municipality could work the tramways it had built; it must lease them to a company for twenty-one years, at the expiry of which time they could be taken over by the municipality at their "then value" if built by the company, free of all compensation for compulsory sale, and worked by the local authority. So great an objection existed in Parliament to municipal working of tramways that down to 1896 a standing order prohibited the introduction of any bill having the object of empowering local authorities to run tramways. The change in the attitude towards municipalisation is also shown by the Electric Lighting Acts of 1882 and 1888, which from the beginning permitted the fullest freedom to municipal action. The capital invested in municipal tramways is about three millions and a-quarter. The provision of a ferry service on rivers is closely akin to the provision of bridges, and Glasgow and Birkenhead, for example, own ferry-boats, while London has a free ferry at Woolwich. All trade used to be done in markets, and the city market is probably the oldest municipal institution. Piers, quays, and harbours are equally necessities of trade, and together with markets they account for some nine and a-half million pounds. Municipal slaughter-houses come under the category of trade facilities, but the public health is the real reason for their institution. There is, however, no doubt about the classification of the test-house for wool

maintained by Bradford. Many of the pleasure towns contribute to the attractiveness which is their main support: the seaside towns by owning piers; Chester and Doncaster by owning racecourses; Bath, Harrogate, and Leamington by maintaining the medicinal springs and their appurtenances; Blackpool by spending large sums in advertisements.

Nowhere has private enterprise so completely broken down as in the supply of houses for the people. The combination of monopoly in urban land and perfect freedom to the builder has ended in jerry-built houses and overcrowding. The failure is indisputable, it is openly admitted by every one; such facts as that a hundred and twenty thousand people in Glasgow live in one room per family proclaim it aloud. Nor is there any doubt as to the remedy. Since Glasgow began its great clearance scheme in 1866, it has become every year more apparent that the municipalities alone are capable of undertaking the enormous task of housing. Not only must houses be built for the increase of population, but also for the people to be cleared out from the slums we have inherited from private enterprise. The central authority alone in London has spent two and a-half millions in clearances and housing, and at least ten millions have been spent in the United Kingdom on these objects. The real difficulty is how to build fast enough, and how to rehouse the people expelled from the slums; for at present the sad fact is that they go to create other slums, while the new houses are inhabited by a higher grade of workers. When it is fully recognised, and the law is based on that recognition, that each town or village or country district is responsible for the proper housing of the people resident therein, then but not till then will it be possible to wipe away this blot on our civilisation. Owing to the great lack of good sanitary houses, the Government might grant to a district for additional building a sum equal to what the local authority was spending. Certain consequences will necessarily follow. Each town must be

its own landlord. The steady pouring of unearned increment into the pockets of the proprietors of urban lands must cease; land values must be municipalised by taxation. Further, each town must become its own builder. Municipalities have discovered other monopolies besides the "natural" ones of gas and water; it was a "contractors' ring" which first caused the London County Council to start its much-abused Works Department. Whatever defects have come to light while municipal building has been in its experimental stage, they can be more than matched by the defects of contract work; while nothing worse in bricks and mortar is conceivable than the rows of "desirable suburban residences" run up to sell for the creation of ground-rents. Combining municipal housing with a cheap or free service of communication by tramway or railway, we can look forward to the relief of congested town districts by the creation of villages or small towns in the surrounding country, thereby indirectly contributing something towards a solution of that other great problem of modern life, the depopulation of the rural districts.

All these branches of activity thus lightly sketched originate from the failure of private enterprise in the shape of private monopoly, from insufficient supply and extortionate charges. A further development of municipal trading arises from the utilisation of the waste products of town life. Sewage is converted into manure; the establishment of sewage-farms leads to a trade in grass, to municipal market-gardens, or to municipal dairy-farms; street refuse, when burnt, is made into paving-blocks, and so on. Another branch of trading is the supply of water fittings or electric fittings ancillary to the municipal water or electricity supply; and it is curious that this comparatively small matter should at this late hour of the day have incited private traders to a crusade against municipal trading, destined to be as successful as the great war of the Scottish shopkeepers against co-operative stores.

Much debate has raged around the question whether municipalities should make a profit out of their undertakings or not. The matter is one of degree only. Co-operative experience shows us that it is not possible to sell at cost price exactly; something extra must be charged and returned afterwards to the consumer. This is generally the practice of municipalities. The natural tendency will be to work services as near to their cost as possible; yet the various municipal services should be regarded not as separate undertakings, but as different departments of the business of running a municipality. From this point of view it will often be expedient to make a profit on one branch in order that the business may be extended in another direction—a very ordinary commercial principle. The net profit on reproductive municipal undertakings in England and Wales is £3,613,000 on a total capital expenditure of £88,152,000; and in addition the price of gas, water, tramway journeys, etc., has been in most cases much reduced since the private companies were bought out. This surplus is usually applied in the reduction of rates, thereby indirectly providing a fund for future municipalisation. How far profits should be applied to lowering the price of the profitable commodity, or to the reduction of the general rate, or to the carrying out of some other object of common advantage, will entirely depend upon local circumstances; no general principle can be laid down. Every householder can use as much water as he pleases, and he pays not according to what he uses but according to his ability; gas consumers, on the other hand, pay for what they use; and this diversity of treatment can be justified on the ground that the public health requires that every inducement should be given for the abundant use of water. Similarly, the necessities of a large town might very well demand that tramways should be free as the roads are. It may even be advantageous for a town to undertake a work which is a charge on the rates, on the ground that it is necessary to the welfare of the city; and for this reason Bristol

is building docks and Manchester has made large investments in its ship canal. One thing must be guarded against: that the provision of some municipal service is not indirectly converted into a rate in aid of wages and transferred into the pockets of the landlords or employers. This has happened when tramways have been cheapened or extended, and rents have risen in consequence; and if the municipal houses were let, as it is often suggested, below the market rate, employers would be induced either to reduce or not to raise wages. Here, as in many other ways, we see that the intervention of the community in private enterprise must inevitably lead to further intervention.

Many towns have carried municipalisation almost to the extreme limit which public opinion at present approves. In Glasgow, for example, all the ordinary services are municipalised, except the cemeteries. What industries will be next seized upon? The recent high price of coal has been a matter of gravity to those towns which run their own gasworks. In Manchester and Glasgow there are 500,000 tons of coal consumed annually in the gasworks of each town. Therefore the Gas Committee of the Manchester Town Council is considering a proposal to buy a coal-mine of its own, and the Glasgow Town Council has only by a narrow majority rejected a similar suggestion. This is an obvious outlet for municipal activity, and we shall certainly hear more of it. The extension of municipal housing, with the ultimate conversion of the building trades into a municipal department, has already been mentioned. Next in order come, probably, the drink traffic, and the supply of bread, milk, and coals. Municipalisation of the drink trade[1] will probably be undertaken partly for moral reasons, as with the Swiss alcohol monopoly, partly in order to eradicate from public life a pernicious political influence. Milk is proving such a dangerous medium for the spread of disease, and the difficulties of supervising the sanitary conditions of farms

[1] See *Fabian Tracts*, Nos. 85 and 86.

situated in other governing districts are so great, that these hygienic reasons will soon force municipalities, for the sake of their infant population, to provide their own milk supply. The baking trade is beset with combinations at every stage of the industry; and whatever else may be left to individual enterprise, the supply of the necessaries of life must not be exposed to the chances of industrial development. The same is largely true of the coal trade, which is above all others subject to vicissitudes of price. When the poor, who must buy their coal in small quantities, have to pay at the rate of forty shillings and upwards per ton, it is time for some public authority to step in. Some scattered cases of municipalisation in these industries can even now be adduced to show the ease with which municipalisation can be achieved. Birmingham has a municipal canteen at the navvies' village on its aqueduct works, which is very successful. The mining village of Hill of Beath in Fifeshire has had a municipal public-house for four years, and the experiment is being repeated with good results at Grayshott in Hants and elsewhere. Birmingham draws £4500 per annum from the sale of milk at the dairy-farm in connection with its sewage-works. The Vooruit and other large co-operative bakeries show how well suited that industry is for centralised management, while Grenoble has achieved the more difficult task of running a municipal restaurant.

No British municipality has ever retraced one single step it has taken in the paths of municipalisation, and the natural monopolies which have been annexed have always been protected against a competitive service. In 1899 an attempt was made to break down this principle by the General Power Distributing Bill, which proposed to give a private company power to supply electricity in competition with municipalities over an area of two thousand square miles in the middle of England. The specious pretext was put forward that electricity could be distributed more cheaply in bulk from works at the pit's mouth, but nevertheless the company

refused to supply Nottingham with current at the same price at which the city could produce it. So far this attack on municipal trading has been defeated. It is not necessary, however, that a municipality should always have a monopoly at first. It may be cheaper to compete than to buy out an over-capitalised concern, and this is the course which the Government is adopting with the National Telephone Company. Similarly with extensions of municipal enterprise: the first step in some cases may be to start municipal undertakings in competition with the private concerns, with a view of winning support for the project by the example of an efficient service.

One important result of municipal trading which is generally overlooked may be here pointed out—the increase in public honesty. In America individualism and private enterprise are rampant, and *The Economist* can say (14th July 1900) "municipal corruption has attained to its full height in America." On the other hand, Mr. Harrison, the ex-Chairman of the Edinburgh Chamber of Commerce, confesses,[1] "I desire to bear strong and emphatic testimony to the high level of work and high level of character which the town councils of this country have shown since their reform sixty years ago. There are always too many scandals in private trading, the history of joint-stock enterprise tells not a few stories of incompetence and dishonesty, but I do not know of any very flagrant case in which a town council has been proved dishonest to its trust."

Turning to the work of the central government, it must first of all be pointed out that all taxation, like all municipal rating, is so much nationalisation. A portion of the income of private individuals is appropriated and applied to the objects of national policy; in this way it is returned in another form to the taxpayers. For the purposes of public defence and other functions with which it is entrusted, the Government requires to have a large amount of supplies and

[1] *The Economic Journal*, June 1900, p. 258.

a large amount of work done, and these services it can obtain either through its own workmen or from private contractors. In so far as it adopts the former course, it, like a municipality in a similar case, carries one step further that elimination of subordinate agents in production which is one of the characteristic features of modern industry. The productive work of the Government as manufacturer is large and varied. The Dockyard Bill for wages is well over two millions yearly, and for material over a million and a-half. The Royal Ordnance Factories have an output exceeding three millions, and the Army Clothing Factory of nearly two hundred and eighty thousand pounds. Government workmen execute new works and repairs to the value of some £700,000, and in the Navy victualling yards the "State" grinds flour, oatmeal, coffee, pepper, and mustard, salts beef and suet, and makes chocolate, scantling, casks, and hair-beds. On the other hand, contractors' bills are very heavy:—provisions, £2,400,000; forage, £520,000; clothing, £1,100,000; furniture, £74,000; coals for Navy, £864,000; fuel, light, and household articles, £560,000; shipbuilding, £3,500,000; armaments, £2,000,000; new works and repairs, £1,550,000; telegraph materials, £200,000; postage stamps, £186,000; conveyance of mails, etc., £3,150,000; cloth, etc., £640,000.

Not only is there plenty of scope for an extension of the Government manufacturing departments, but it closely concerns the safety of the country that that extension should take place. The great Engineering Dispute seriously delayed the shipbuilding programme; the Welsh Coal Strike caused the postponement of the naval manœuvres. Said the *Iron and Steel Trades Journal*, under the heading, "A Government Colliery Wanted":[1] "Having a navy and national establishments which have cost a thousand millions, it is an anomaly that some poverty-stricken colliery companies and the 'poor colliers' should, by stopping the supply

[1] 25th June 1898.

of fuel, be able, whenever they please, to place this country at the mercy of its enemies. We write 'poverty-stricken colliery companies,' well knowing that many very wealthy firms and some rich companies are engaged in the coal trade, but the chain is not stronger than its weakest link, and it is there in commerce as in mechanics the danger lies. The abandonment of the autumn manœuvres is dictated by common prudence. Will the First Lord of the Admiralty go further and say that prudence demands the establishment of Government collieries, which, being manned above and below ground by Her Majesty's servants, will not be amenable to strikes, and will therefore always be raising coal for our ships, dockyards, and Government factories?" Strikes, after all, are of infrequent occurrence, and a more serious statement was made by Mr. Goschen in his "Statement Explanatory of the Navy Estimates, 1900-1": "The abnormal activity in shipbuilding and engineering, which was described in the 'Statement' of last year, has continued during 1899-1900, and has seriously affected progress and expenditure on ships, machinery, and armour. Delays in delivery of material, differences in securing adequate numbers of workmen, and other circumstances, have caused the aggregate earnings on contract work to fall short of the estimated amount by about £1,400,000, though the estimate was carefully calculated on the basis of actual earnings in past years on ships of similar character, and on very close investigations of the possible output of armour." When the nation's work cannot be done because trade is so prosperous, because manufacturers are so busy with private orders and with war-ships for foreign powers, then surely "prudence demands" that more Government factories shall be built. "It becomes a matter for serious consideration whether there should not be created an establishment for the manufacture of armour-plates solely for the dockyards, thereby relieving the makers of armour from the pressure which

places private shipbuilders at a great disadvantage on Government contracts."[1]

Professor Ashley has made a valuable suggestion as to one method by which the way may be prepared for collectivisation of industry. "I see nothing for it," he says,[2] "but that in countries where the monopolising movement is well under way, the Governments should assume the duty of in some way controlling prices. The principle of public determination of maximum rates and maximum dividends has already been recognised in various countries in various directions; and it will doubtless have to be carried a good deal further. But before this can be done with any chance of tolerable success, any country which thinks of attempting it must provide itself with a fairly efficient administrative service." We already have railway rates and fares controlled to some extent by the Railway Commission; gas dividends have a maximum limit; and charges for electricity are subject to review by the Board of Trade. The Chambers of Commerce have repeatedly demanded that no mail subsidies should be granted to shipping companies which charge preferential rates against British traders, and this is a request which might very well be conceded. At present the home and colonial Governments pay about a million a year to enable the firms which own our mercantile marine to give a bounty to foreign manufacturers.

The fixing of rates and charges by a public department is only a temporary expedient, which, in the case of British railways, has conspicuously failed to secure justice. To quote a railway expert, Mr. Acworth:[3] "For every shilling cut by an expeditious tribunal off a rate, it is easy for the railway companies, if they are agreed to act in harmony with each other, to withdraw two-shillings' worth of facilities; and the traders may make up their minds that this is what must inevitably happen if the railway companies are confronted with lower rates simultaneously with a rapid rise

[1] *Economist*, 3rd March 1900. [2] *Surveys Historic and Economic*, p. 388.
[3] Quoted, *Fabian Tract* No. 98.

of working expenses. Assume that your tribunal can fix a reasonable rate, what is the use of it unless it can schedule to its judgment a minute specification of the quality of service to be given in return for the rate? . . . The railways can bring down troops of expert witnesses. How can the tribunal refuse to hear them, when every student of railway economics knows that the reasonableness of each particular rate depends not merely on its own individual circumstances, but on a comparison with all the other rates and a consideration of the company's entire business? But for a farmer or shopkeeper, with the assistance, possibly, of the local attorney, to undertake to fight trained railway experts with a lifetime's experience and with every fact and figure at their fingers' end, is only to court defeat." The only remedy in such a case is national ownership, and the monopoly of transport will probably be the first great monopoly to be taken over by the British Government, which in this instance will follow well behind many continental and colonial governments. No better proof can be found of the way in which public opinion is maturing on this subject than a resolution passed at the annual meeting of the British Iron Trade Association on 13th June 1900, asking for the appointment of a Royal Commission to take into consideration whether it would not be for the advantage of the trade and commerce of the country, and ultimately for the benefit of the State in its financial relations, that the railways should become national property, especially in view of the threatened increase of industrial competition from Germany, the United States of America, and other countries in which railway transport is run on different lines and carried on under different conditions. The President, Sir John J. Jenkins, M.P., estimated that 10 per cent of the gross annual return might be saved by the State through economies of management. Coal is as much of a necessity to commerce as railways, and, as Sir George Elliot has shown, is admirably adapted to central management. We may therefore expect

that nationalisation of the railways and mines will precede the collectivisation of the other industries.

Much has already been said about the dishonesty and recklessness which disgrace much of modern commerce and corrupt the national life. It bodes no good to the community that the advance towards the monopolisation of industry is accompanied by the wiles of the company-promoter. The purification of commercial life is of the greatest importance. Everything which raises the moral tone will facilitate reform by increasing the national impatience with industrial exploitation and tyranny. Good morals in their turn will produce good economics, and the destruction of dishonest forms of gain will make competition still more unprofitable.

In another way the State can do much to hasten industrial development. The State has had to step in and remedy the breakdown of apprenticeship by providing a system of technical instruction; it must go farther and substitute a system of scientific research for reliance on sporadic invention as a means of improving industry. At present the adoption of a new process as an improvement in machinery is—except in those large firms which maintain a scientific staff—left entirely to the hazard of the casual inventor succeeding, before he is starved out, in getting some capitalist to exploit him. And when an invention is taken up it is not made common to a whole industry, but is strictly preserved like game for private profit. A new industrial process is as much a fit subject for governmental study as a new gunpowder, and the State ought systematically to undertake the improvement of industry, prosecuting invention in its own laboratories and workshops—its manufacturing departments, especially when extended as proposed, affording ample means for experiment. An indirect but important consequence would be the elimination of the tendency to sterilisation of initiative and the inventive faculties—if it exists at all—which is alleged to be inherent in State management of industry.

Foreign trade is supposed always to be the rock on which a collectivised industry would break to pieces, but acquaintance with the working of combinations casts some doubt on this confident prediction. The German export trade in steel rails could not exist except through the co-operation of the "pool" formed by the chief producers of coal, pig-iron, steel rails, and the owners of blast-furnaces. A subsidy is levied on the members to form a fund out of which exporters are reimbursed for the difference between the selling price obtained and the cost of production as fixed by the "pool." The manufacture of an increased quantity of steel, which this practice makes possible, reduces the general cost of production and enhances the profits from home sales. The great Coats monopoly again has no difficulty in deriving the greater parts of its profits from its foreign trade. Mr. E. J. Smith, writing of his "alliances," says:[1] "Combinations should trade abroad as combinations, not as individual firms. In each large town where single traders keep their showrooms, warehouses, and agents, heaping up expenses which either lessen profit or prevent sales, there should be one showroom, one warehouse, one general agent, lessening expenses, and providing an exhibition of articles much more imposing and attractive than any single firm can support." From these and many other facts it would appear that a Government department would not be without its advantages in conducting foreign trade.

[1] *The New Trades' Combination Movement*, p. 76.

CHAPTER XIII

THE STANDARD OF LIFE

So far we have dealt with the relations of the State to the production of wealth and the organisation of industry. Recognising the economic tendency towards monopoly, the thesis has been maintained that the State ought to guide that tendency by proper regulations, so that it will terminate in the passing of industry into public ownership. It has been pointed out, that when the State intervenes in industry —whether by actual expropriation, or by extension of its own manufacturing departments, or by legislation for the prevention of fraud, or by the promotion of invention—one result, directly or indirectly, is the encouragement of the concentration of industry and its ripening for public possession. Lastly, the conclusion has been drawn that collectivisation would naturally begin with those industries which had already reached the state of monopoly, and would absorb others when they had attained a sufficient degree of centralisation, unless special reasons made the transfer of ownership at an earlier stage desirable. Such, in brief, is the plan whereby the trust danger may be gradually overcome. But there is still another line of attack. In tracing the history of competition, we have had at intervals to consider the results of industry measured in terms of human wellbeing, and how far the individual will has translated industrial prosperity into leisure, good conditions of life, and an

equitable division of the produce of labour. In dealing with trusts and other combinations, the same questions confront us.

The State is concerned not only with the efficient production, but with the equitable distribution of wealth. A progressive community is characterised by a rising standard of life, and unwholesome conditions of existence and a wide discrepancy between the positions of different classes are not only dangerous to the public peace, but symptomatic of grave national inefficiency. The maintenance of a high level of comfort and its progressive elevation are matters of the utmost importance to the State. John Stuart Mill has said[1] that "the one indispensable merit of a government . . . is that its operation on the people is favourable, or not unfavourable, to the next step which it is necessary for them to take in order to raise themselves to a higher level." Combinations, we have seen, possess important advantages as instruments of production, but yet contain elements of evil which, if left unchecked, would cause a serious deterioration in the condition of the mass of the people. Any action, legislative or voluntary, which compels the raising of wages, the shortening of the hours of labour, or the concession of better conditions of work, will in so far reduce the hurtful tendencies of private monopolies, and indirectly collectivise a portion of the wealth which they produce. The just distribution of wealth does not mean only the putting in each person's hands a desirable number of coins of the realm, but also placing him in any way in a better position to enjoy the good things of life. The reduction of the working day and more healthful conditions of labour always augment the worker's capacity for enjoyment, while they may at the same time increase the expenses of the employer. The standard of comfort is raised, the share of wealth which goes to the proprietor classes is reduced, and the operations of the trusts are controlled.

[1] *Representative Government*, p. 15, Popular Edition.

When, after a whole century of steadily increasing State interference, we still find that important trade organs can denounce the factory laws as "the most iniquitous laws that could be found upon the Statute Books of any nation," and the Workmen's Compensation Act as "this flagrant example of predatory politics," it is evident that the standard of life cannot be left to the control of the employers. As little can it be left to the care of the trade unions. In the first place, they represent neither the whole of the community nor the weaker classes of workers. Their only weapon, too, is the strike, which at best is an attempt to settle the justice of a demand by an appeal to the ordeal of starvation, and has been robbed of much of its effectiveness by recent legal decisions. The great improvements in the condition of labour have either been a direct grant from the State, like the Workmen's Compensation Act, or, like the Nine Hours Day, have been supported and buttressed by legal enactments. Hitherto organised labour has enjoyed a certain strategic advantage over disorganised capital, but with the advent of large combinations of employers that day has gone. Even if the dreams of federation were realised, the economic position of combined capital and large trusts would still be immensely superior. These defects of strength are not, however, the most serious reasons why the care for the national welfare should not be left to militant bodies of workmen. Although trade unions, even when industries are municipalised or nationalised, can do work of permanent value in criticising the conditions of employment, defects of knowledge and divergencies of interest must be taken into account. The dealings of workmen with questions of machinery and apprenticeship exemplify their liability to demand remedies advantageous to themselves but injurious to the community. A sense of injury does not necessarily imply the perception of the proper cure. Besides, recent industrial developments show the possibility of the combination of the capitalist

and the industrial sections of producers in common cause against the consumers. This has been actually realised in the Birmingham alliances, where the workpeople are given a direct interest in the rise of prices by the institution of a minimum wage with a bonus increasing as prices advance. Against such sectionalism the public must assert their rights. The State is not an aggregate of sections. The good it aims at is the good of the whole, its standpoint is that of the consumer, its purpose is the making of citizens. To the organised State alone can we entrust the guardianship of the standard of life.

The State has in many ways developed during the past century its original function of the protection of life with beneficial results on the status of the worker. In matters of sanitation and safety, national standards have been set up prescribing the minimum precautions against accident and injury under which industry can be carried on, and the Railways Bill introduced in the session of 1900 shows how the labour code is constantly being extended. Work-places are under national control, though yet not fully and sufficiently; home-workers and those employed in shops and offices being almost entirely neglected, and dangerous trades being very imperfectly regulated. These questions, however, no longer involve matters of principle, but only problems of detail. Certain occupations are already forbidden to certain classes of persons, and the entire prohibition of some processes, like lead-glazing and the manufacture of matches from yellow phosphorus, will follow as soon as it is proved to the public satisfaction that they cannot be made reasonably healthy. The limitation of the hours of labour having now for some years been admitted for male adult labour in the case of railway servants, has also passed beyond the sphere of argument, and its complete application is only being delayed until the various sections of the working classes can compose their differences.

The principal factor on which the standard of life depends

is personal income, which, so far, has been regarded as outside the natural control of the State. Indirectly, of course, real wages are raised by everything which improves the position of the wage-earner—by free trade, by free education, by shorter hours, by municipal improvements, by improved sanitation and protection against injury, by legal compensation for accidents, and (in New Zealand) by old-age pensions. But the State has only interfered directly with money wages where, by Truck Acts, checkweighmen, and "Particulars Clauses," it has been found necessary to repress the dishonesty of the employer, and to secure to the worker what he has really earned. There is no logical gap between prescribing a minimum of health and securing a minimum of income, but in this country this identity of State action has hardly even been regarded as thinkable. In Victoria, however, a minimum wage has been provided in the clothing, baking, and furniture industries, and in the employment of apprentices; while in New Zealand the working of the Industrial Arbitration and Conciliation Act has resulted in the establishment of minimum rates of wage in all the cases which have come under its operation. Municipal regulations fix living rates of wage for all employees directly engaged, and prescribe the rates to be paid by contractors in all the principal towns of Great Britain and in several other countries; an example followed by the State Departments, although the Admiralty still thinks a wage of twenty-one shillings a week—the "chronic poverty" limit of Mr. Charles Booth—sufficient for Deptford labourers. The establishment of a uniform "living wage" for each trade, with an unchangeable minimum, has long been the goal of trade unionism. With the approval of public opinion it has been determined that wages should not be regulated solely by the demand for and supply of labour or by the price of the product, and the attempt to replace highly skilled and highly paid engineers by unskilled machine-tenders is being slowly repulsed on the same principles.

It intimately concerns the welfare of the State that the standard of life should be the highest possible, that there should be no glaring contrast between rich and poor, that the distribution of wealth should bear some resemblance to equity. Where these conditions do not prevail—and they do not prevail in any industrial State of to-day—it is plainly necessary that they should be established. A scanty recognition of this necessity may be found in the differential taxation of the well-to-do, and in the expenditure of part of the national income on objects in which mainly the poorer classes are concerned. The community is also affected by the disorganising results of the present system. Wage questions are the main, almost the exclusive, source of trade disputes, and their settlement by the private war of strikes and lock-outs entails much loss of capital and income on those directly concerned, inflicts on children privation which has lasting physical effects, involves innocent persons of other industries in loss and suffering, and disorganises national trade, frequently causes loss of foreign custom, and occasionally affects the national safety. Settle the cause of industrial warfare, and strikes and their results will alike disappear.

Popular opinion approves a living wage; the experience of manufacturers shows that high wages mean efficient workmen and cheap production; the wellbeing of society requires the equitable fixing of incomes. From every point of view the case is complete for this extension of State activity. Evidently a living wage should not be a mere subsistence wage, but such a sum as would not only secure the degree of comfort usual in the class concerned, but also permit of progressive improvement. What is wanted is a raising of the level in every grade, and that implies the separate treatment of each industry. To attempt the regulation of matters so intimately concerning personal welfare and trade profit through a central Government department would end in a bog of bureaucratic ineptitude. The only efficient mode of settlement is that adopted by the ablest

employers and workmen who in such trades as cotton-spinning and weaving, mining, bootmaking, and engineering fix wages by means of joint committees. This system of Trade Boards should be extended to each industry; the elected representatives of employers and workmen would provide the necessary expert knowledge; the interest of the community would be represented by an impartial chairman. The first duty of each such board should be the ascertainment of the "living wage" for the trade, which should be fixed as a minimum for a number of years. The force of law should be given to the decisions of the boards, though probably, as in New Zealand and with the decisions or our own voluntary boards, compulsion would prove to be not really necessary, once its possibility were known. The real force behind the New Zealand Act is the force of public opinion educated by the publicity of the proceedings, and fortified by confidence in the honesty of the courts. One distinct merit of this plan is that it is distinctly self-government, and avoids anything in the nature of a bureaucracy standing outside, as it were, of the people.

Provision for old age is an integral part of the "living wage" problem. Although "as regards the great bulk of the working classes, during their working lives, they are fairly provident, fairly thrifty, fairly industrious, and fairly temperate,"[1] nevertheless three out of every seven are obliged to seek parish relief after sixty-five. And, as Mr. Chamberlain told the Royal Commission, it is not reasonable to expect the working-man to submit to any further sacrifice of the few luxuries he enjoys in order to make increased provision against the chances of life. Part of the price we pay for civilisation is paid in old-age pauperism. As the use of machinery increases and the organisation of industry becomes perfected, the wear and tear of life becomes more severe, and workmen are exhausted at an increasingly earlier age. In some trades men are cast aside at the age of forty-

[1] Report of the Royal Commission on the Aged Poor, C 7684, 1895.

five; in all it is difficult to obtain employment after fifty. "No men are to be engaged in any department who are older than fifty years of age," ran the famous notice of the great Barrow Hematite Steel Co. The community gains, but at the expense of the workmen. Even when an act of long-delayed justice was done in the passing of the Workmen's Compensation Act, one of its results in many places was the dismissal of old workmen in order to reduce the risks of compensation. At present the State does recognise its responsibility, though in a way repugnant to all except the most degraded of those who come in need of its assistance. Old-age pensions must be regarded not as charity, but as part of the national endeavour after an equitable distribution of the national income. That endeavour finds its easiest outcome in the establishment of a living wage during a man's period of working activity, and the provision of a suitable subsistence when that time is past. From this standpoint Mr. Booth's scheme of universal pensions of five shillings a week at the age of sixty-five, raised by taxation, is the most satisfactory of all those before the public. It would cost more—though only nominally, for more would be returned under it—than the schemes limited to persons in receipt of less than a certain income, but it has the great moral advantage of basing payment on social service instead of destitution, the rock on which the old poor-law system before 1834 shipwrecked. The limited schemes, like the New Zealand law, are frankly distributive, maintaining the poor at the expense of the well-to-do, but this is a character they share with all modern taxation.

One result of the wider distribution of wealth is frequently overlooked. To-day the productivity of capital has outstripped the demand for its produce. Capital is wasted, machinery is worked below its full capacity, the application of fresh savings as capital brings about gluts and crises—not because there is general over-production, but because there is under-consumption entailed by the inadequate incomes due

to the inequitable distribution of wealth. To raise the standard of life would therefore not only make the worker more efficient, but would improve the organisation of industry by increasing the demand of the largest section of the population for the products of the great industries.

All efforts towards the improvement of society must take account of the unemployed. Trade unionists, when in work, have to tax themselves for the maintenance of their unemployed, in order to defend their standard of life against the wage-lowering competition of starving men; a large amount of wealth is consumed unproductively in the charitable support of "out-of-works"; and excessive unemployment ultimately swells the national residuum. The unemployed are of many classes, but to-day all are treated alike. The first duty is one of discrimination. The prison is the proper place for the criminal; a humane poor-law must care for the unfit; those capable of improvement should be trained into efficiency in labour colonies, like those successfully conducted by the Salvation Army. This process would be aided by every improvement in the organisation of industry, like the decasualisation of dock labour, and by changes which, like the abolition of home-work, closed up the badly paid and highly irregular employments alone open to low-class workers. When these classes are abstracted, there still remains an army of out-of-works, whose condition is directly due to the existing industrial system. Indeed, they are necessary to that system, for its essential feature, the recurring cycles of expanding and contracting trade, would be impossible with a working class permanently and fully employed.

The chief proximate causes of unemployment are seasonal variations in trade, changes in fashion, foreign tariffs, commercial crises, changes in machinery and industrial processes. American experience gives us reason for expecting that trusts, with their better organisation and increased use of machinery, will be able to dispense with the services of a

large number of workpeople, whose competition will then tend to reduce wages. The fear is by no means an idle one, and the rapid growth of combinations in this country lends a special importance to the question of unemployment at the present moment. Seasonal variations, like those in the building trade, would form a necessary factor in the fixing of wages by wage-boards, on the principle that the workman should be paid enough in the working season to keep him through the year. The same would apply, though to a much less degree, to fashion trades, just as a manufacturer expects a higher rate of profit from a fluctuating industry. Markets closed by tariffs should be replaced by new markets either opened abroad or created at home by the rising comfort of the people. The main injury caused by foreign tariffs is that the English trader, being deprived of the advantage of his country's long start in manufacture, is cast back on his own resources, and too frequently exhibits only his incapacity to make use of the opportunities for trade open to him. Nothing but the spread and improvement of commercial education can effectually prevent such losses.

The cyclical variation of trade stands on a different footing from other causes of unemployment. We have already seen that it is closely connected with the development of industry, and that the first result of every improvement is the displacement of a certain quantity of labour. It is an essential part of the collectivist theory that social improvements must not be sought at the sole expense of particular individuals, whether these be expropriated landlords or displaced workmen. Many of the reforms already advocated—the reduction of the hours of labour, the abolition of overtime, the prohibition of child-labour—would increase the number of adults employed. Furthermore, while the substitution of machines for men necessarily diminishes the number of employees, it must not be further utilised to reduce the wages of those still engaged, or to introduce the employment of low-paid machine-tenders. Such a serious degradation

of the standard of life would be avoided by legal wage-boards.

These reforms, however, would only partially mitigate the evil. We have admitted that the employed have a right to a sufficient remuneration based on the requirements of citizenship. We are now face to face with the "right to work"—not a "natural right," indeed, but an ideal claim for worthy employment. This claim is morally enforceable against the State, but the State in turn has the right to say what is the work it requires to be done. Consequently the demand that national workshops should be opened for the employment at their own trades of persons out of work has no logical basis, while, as their produce would be thrown upon the speculative market, the evils of competition would be intensified. To "make work" because there are able-bodied men who cannot find anything to do has never been profitable in the long-run either to those thus employed or to the community. The national works at Paris in 1848 failed, while the unemployed were entirely absorbed in the subsequent reconstruction of the city. This piece of history bears an instructive moral, reinforced by the recent experience of relief works in Ireland. There is much useful work needing to be done both by the central Government and by municipalities, and it should be undertaken just because it is useful and necessary, not because certain parts of the labour market are overstocked. The necessary labour should be obtained in the usual way without special regard to the unemployed, who would then be absorbed into the ranks of the workers through the resulting increased demand for labour. The State should have as its employees not the casual out-of-works, but the most efficient persons in their respective trades. The promotion of technical education is another weapon with which the State can combat insecurity of employment by giving particular attention to training in adaptability, a quality which is more required in these days than

highly specialised skill, and enables workmen to pass with little difficulty from one industry to another cognate one.

The central idea underlying the treatment of the duties of the State in these pages is that the time has come when the nation as a whole should enter into the inheritance of its industry, its intellect, and its character. Hitherto it has allowed its wealth to be wasted while thousands of its citizens were starving, its intellect has been stunted by mean conditions of life, and its character has been degraded by sordid ideals. There has been a long struggle for mastery between two great principles. Competition came into the industrial world to free trade from feudalism, and, having done that work, played havoc with the lives of men. It called into existence the great opposing principle of association, by which a series of bulwarks against individualism has been built up in the trade union, the co-operative society, the municipality, and the central Government. Finally, competition, turning against itself, has ended in combination, and private monopoly threatens to overwhelm the State by economic and political oppression. We cannot turn back the march of economic progress; for good or for evil we must now face the concentration of industry. We cannot go back to competition, but we can direct the new tendency into safe channels. In the collectivisation of industry lies the future hope of society, and it will be attained by the gradual transfer of one branch of production after another under the control of the municipality or the Government. While this process is going on, industry must be regulated and the standard of life raised by well-considered legislation.

All our industrial problems are fragments of the great Darwinian problem how to secure not only the survival of the fittest, but that there shall be a rise in fitness commensurate with the demands of civilisation. "We too," says Mr. Galton,[1] "the foremost labourers in creating civilisation,

[1] *Hereditary Genius*, p. 345.

are beginning to show ourselves incapable of keeping pace with our own work. The needs of centralisation, communication, and culture call for more brains and mental stamina than the average of the race possess. We are in crying need of a greater fund of ability in all stations of life; for neither the classes of statesmen, philosophers, artizans, nor labourers are up to the modern complexity of their several professions. An extended civilisation like ours comprises more interests than the ordinary statesmen or philosophers of our present race are capable of dealing with, and it exacts more intelligent work than our ordinary artizans and labourers are capable of performing. Our race is overweighted, and appears likely to be drudged into degeneracy by demands that exceed its powers." To this pass we have been brought after a century of competition and enlightened self-interest. Industrial society is now in course of providing itself with a new organisation which will exclude competition and yet be motived by the desire for private gain. Will the community consent to become the serf of a small class of shareholders, or will it take the new organisation into its own hands, and by scientific management make both the system and the workers capable of responding to the complex needs of a high form of civilisation? That is the problem of the Trust.

THE END

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